



*From the smallest beginnings...
Grow the mightiest dreams.*

2010 Annual Report





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*Almost unnoticed,
it can begin.*




You become part of

something stronger

than any one of us can be

on our own.





For 70 years, Steinbach Credit Union has seen continuous and often dramatic growth. It has grown in size, assets, stature, relevance to the community and most vitally, it has grown in the number of members it serves. In 2010, SCU continued to grow on every level, remaining Manitoba's largest and most successful credit union.

That growth can be directly attributed to the trust each and every SCU member has in their credit union. We truly are stronger together.



*Message from the
President*



On behalf of the Board of Directors, I'm once again pleased to announce tremendous growth in all areas of our credit union. SCU remains the largest credit union in Manitoba and the first to reach and surpass \$3 billion in total assets. As well, our earnings remained very strong at \$18.4 million, a 27% increase.

The opening of our Lagimodiere branch on May 3, 2010 represented a new milestone in our growth as an organization. And we're proud to say our new branch received a Power Smart Design Standards designation from Manitoba Hydro.

Currently, we are deep in discussion regarding our head office and main branch location in Steinbach and how to best handle our increasing need for space. Any changes we make may impact the downtown Steinbach area, so all options are being carefully considered at this time.

But financial and structural growth were only part of our success. Once again we improved on service and our staff and member satisfaction levels continue to remain strong. Our member contact centre won the Mecca Award from the Manitoba Customer Contact Association for employee satisfaction. And in 2010, our members showed their satisfaction by referring almost a thousand new members, representing tens of millions of dollars in new business.

We continued our commitment to improving efficiency by centralizing functions, making gains that were returned to our members with greater service levels and attractive rates.

Looking at the bigger picture, the credit union system in Canada continued to undergo dynamic change in 2010. Under new federal legislation, credit unions now have the opportunity to expand and pursue business outside their home province; something that SCU is monitoring.

SCU continues to comply with Fintrac (Financial Transactions Report Analysis Centre of Canada) legislative requirements dealing with anti-money laundering practices. We are

also proud to state that we are in excellent shape to meet the new IFRS (International Financial Reporting Standard) mandatory global standard for financial reporting which requires compliance by December 2011.

Through all these changes we remain vigilant in protecting our members. Electronic fraudsters inevitably seek to find ways to continue their dishonest practices and in this electronic landscape, skimming unfortunately is a reality. To protect our members, we have implemented robust policies, procedures, electronic tracking and reporting programs.

In this continued time of attractive borrowing rates, we are well aware that consumers in general have leveraged their personal finances. We remain prudent not to assume more risk than is tolerable, and in the spring of 2010 we took additional steps to monitor and mitigate this risk for SCU. We remain in a strong position and we intend to keep it that way.

The agriculture industry has seen some difficult times but there was some improvement in 2010 and we are optimistic about the future as we work together with our members in this vital industry.

I once again thank our CEO Glenn Friesen and his leadership team for all their tireless work throughout the year. As well, a big thank you to each staff member for continuing to go above and beyond, providing all our members with service that is truly unmatched. And special thanks to my fellow board members whose dedication is a great testament to this fine institution.

Last but certainly not least, a huge thank you to every one of our members. Each of you coming together under the SCU banner allows us to build for the future. Thanks for a wonderful 2010 and we look forward to building something even better in 2011!



Ted Falk
President

Soon, others join

*and it gains
strength.*





*Ted Falk
President*



*Reg Penner
Vice President*



*Carl Doerksen
2nd Vice President*



*Bryan Rempel
Director*



*Russ Fast
Director*



*Alan Barkman
Director*



*Sieg Peters
Director*



*Doris Martens
Director*



*Jeremy Hildebrand
Director*

The SCU Board of Directors

Another successful year is now behind us; a year filled with changes, achievements and steady growth.

One of the most significant changes for SCU in 2010 was that it was our first full year operating under the new eroWORKS banking system and all the enhancements it allows. The eroWORKS conversion project was very successful and was awarded the Project of the Year by the Project Management Institute (PMI) of Manitoba. And now, we've added enhancements to our service that members have asked for, such as:

Statement Combining and e-Statements, both of which allow for a more environmentally friendly approach to statement information delivery. Increased security for Member Direct online banking for an additional layer of protection against phishing scams. We also started to roll out the new CHIP Card technology to our members providing new, more secure debit cards. The CHIP Card roll out is based on expiry dates for older cards, so watch for yours in the months ahead if you haven't received it yet.

Coming in 2011, SCU Mobile Banking with the ability to view account balance information and recent transaction history with SMS text messaging via cell phone.

As well, we now offer critical illness insurance that pays a lump-sum, tax-free benefit to help keep family finances on track at a time of critical illness.

Agri-Invest is a government initiative aimed at improving financial insecurities in the agricultural industry.



Message from the Chief Executive Officer

And to help SCU members stay informed, we offered free seminars with Manitoba Home Builders Association for new home buyers and renovators. We also held an estate planning seminar for the first time.

As always, we encourage all members to contribute any ideas they may have for additional seminars.

Amidst all of this was some spectacular growth. Our deposits grew by \$348 million, a 12.98% increase. Our loans were up \$210 million, an 8.78% increase, and our membership grew by a net gain of 3,809 new members for an increase of 5.1%; all testament to the unmatched level of service we provide.

Throughout 2010, SCU continued to support all our communities. Our long-standing, annual pancake breakfasts continued to draw well in Steinbach and in Winnipeg.


We also supported local charities and community events right across Southern Manitoba including dragon boat races, choral events, high school activities, relief efforts and scholarship programs. I personally thank each SCU member and every employee who volunteered their time.

As you can see, a lot of people came together to affect change this past year and I extend a huge thank you to the Board for its support and guidance. I also offer many thanks to the Executive Leadership Team and to all our staff for continuing to go above and beyond the call of duty while changes happened all around them.

Of course, I thank all our members for your continued support. As I say every year, I truly enjoy meeting each of you, and am looking forward to yet another great year ahead.



Glenn Friesen
Chief Executive Officer

An aerial photograph of a lush green valley. A wide, winding river flows through the center, surrounded by numerous smaller ponds and meanders. The terrain is hilly and covered in dense vegetation. The lighting suggests a bright, sunny day, casting soft shadows.

*Inevitably,
the energy is
unstoppable.*



*Don Loewen
Chief Financial Officer*



*Kevin Sitka
Chief Operating Officer*



*Andy Alguire
Vice President
Information Technology*



*Rhonda Bretecher
Vice President
Human Resources*

The SCU Executive Leadership Team



*Tim Friesen
Vice President
Risk*



*Lynette Gillen
Vice President
Sales and Service*



*James Gosselin
Vice President
Corporate Lending*



*Donna Wankling
Vice President
Marketing*

Mortgages, Loans & Deposits

Once again, SCU experienced significant growth in mortgages, personal lending and deposits by members. On the lending side, mortgage products led the way; products like the Full Benefits Mortgage that allows members to gain access to the equity in their property, and Builder Mortgages that provide the start-up financing that allows Manitoba's economy to keep growing. Lending to our Ag and Business members also contributed greatly to this year's growth. On the whole, lending was up by 8.78% to \$210 million.

On the deposits side, SCU made real strides with an increase in member deposits of 12.98% to a total of \$348 million. The recently added Tax-Free Savings Account really took off with substantial increases in both members who use the product and the amount of dollars being invested.

Growing your Credit Union

Products & Services

SCU once again played a leading role in providing members with products and services that not only are innovative and helped members enjoy a better banking experience, but also helped the credit union grow stronger.

In a move to become more environmentally conscious, SCU introduced e-Statements allowing members to receive banking statements electronically, which provided significant savings in terms of paper use and postage cost.

2010 also saw SCU put into place the groundwork for mobile banking which will be available in 2011. With SCU Mobile Banking, a simple text message enables members to get up-to-the -minute account balances and track recent history of account activity. Full mobile banking capability will follow soon after, providing members with unprecedented access to their accounts from anywhere their mobile phone works.

The new SCU branch on Lagimodiere Blvd. opened its doors and immediately had an impact on the area and the growth of the credit union. The branch, located in Winnipeg's fast growing north-east quadrant, saw a significant amount of new members join in 2010 and those numbers continue to rise. A drive-thru ATM with a live teller option also helps to keep members on the go.

Community

The strength of any community lies within its individual members acting together towards a common goal. The power that can come from everyone working together is truly amazing and something SCU sees every day.

For years, SCU has recognized the importance of community involvement throughout the province, and 2010 was no different. As has been the case every year, being involved in community initiatives remained a top priority. SCU staff support local causes with their time and efforts. Corporately, SCU financially supports many local endeavours. All of this leads to stronger, more vibrant communities for our members, our staff and the neighbourhoods throughout Manitoba.

We truly are, stronger together.



Imagine; something so powerful...
can all start with you.

Financial Statements and Notes

2010 Highlights

Asset Growth	\$364 million
Loan Growth	\$210 million
Deposit Growth	\$348 million
Membership Growth	5.1%



Independent Auditor's Report

January 25, 2011

To the Members of
Steinbach Credit Union Limited

PricewaterhouseCoopers LLP
Chartered Accountants
One Lombard Place, Suite 2300
Winnipeg, Manitoba
Canada R3B 0X6
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Facsimile +1 (204) 944 1020

We have audited the accompanying consolidated financial statements of Steinbach Credit Union Limited and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2010 and 2009 and the consolidated statements of net income, comprehensive income and retained surplus and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Steinbach Credit Union Limited as at December 31, 2010 and 2009 and the results of their operations and their cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Consolidated Balance Sheet

As at December 31, 2010

	2010	2009
Assets		
Funds on hand and on deposit	\$ 150,546,998	\$ 165,164,119
Investments (note 2)	417,068,941	255,036,481
Loans to members (note 3)	2,598,208,981	2,388,466,501
Property and equipment (note 4)	42,763,276	37,362,589
Other assets (note 5)	7,447,778	6,101,170
	<u>\$ 3,216,035,974</u>	<u>\$ 2,852,130,860</u>
Liabilities		
Members' deposits (note 7)	\$ 3,031,913,432	\$ 2,683,600,641
Accounts payable (note 8)	9,262,190	12,106,629
	<u>3,041,175,622</u>	<u>2,695,707,270</u>
Members' Equity (note 9)		
Members' shares (note 10)	396,445	377,400
Retained surplus	174,463,907	156,046,190
	<u>174,860,352</u>	<u>156,423,590</u>
	<u>\$ 3,216,035,974</u>	<u>\$ 2,852,130,860</u>

Approved by the Board of Directors



Director



Director

Consolidated Statement of Net Income, Comprehensive Income and Retained Surplus

For the years ended December 31, 2010

	2010	2009
Income		
Interest from loans to members	\$ 97,121,674	\$ 88,836,000
Investment income	11,419,461	10,073,141
	108,541,135	98,909,141
Cost of funds		
Interest paid to members	59,833,739	56,208,565
Financial margin	48,707,396	42,700,576
Operating expenses		
Administrative	13,043,976	12,218,838
Member security	2,870,951	1,572,621
Occupancy	3,524,219	3,008,750
Organizational	1,639,521	1,450,083
Personnel	21,047,596	19,805,231
	42,126,263	38,055,523
Less: Other income	15,051,923	13,381,069
	27,074,340	24,674,454
Income before provisions for doubtful loans and income taxes	21,633,056	18,026,122
Provision for doubtful loans	745,339	1,300,000
Income before income taxes	20,887,717	16,726,122
Provision for income taxes (note 11)	2,470,000	2,195,000
Net income and comprehensive income for the year	18,417,717	14,531,122
Retained surplus – Beginning of year	156,046,190	141,515,068
Retained surplus – End of year	\$ 174,463,907	\$ 156,046,190

Consolidated Statement of Cash Flows

For the years ended December 31, 2010

	2010	2009
Cash provided by (used in)		
Operating activities		
Net income and comprehensive income for the year	\$ 18,417,717	\$ 14,531,122
Items not affecting cash		
Amortization expense	2,676,030	1,974,908
Future income taxes	(82,000)	325,000
Loss (gain) on sale of property and equipment	–	1,856
Provision for doubtful loans	745,339	1,300,000
	21,757,086	18,132,886
Net change in non-cash working capital items	(1,425,621)	1,565,750
	20,331,465	19,698,636
Investing activities		
Loans to members – net of repayments	(210,487,819)	(283,060,275)
Net (increase) decrease in investments	(162,032,460)	55,458,285
Property and equipment acquisitions	(8,076,717)	(18,815,057)
Investment in equity investments – net of capital repayment	(2,683,426)	–
	(383,280,422)	(246,417,047)
Financing activities		
Members' deposits – net of withdrawals	348,312,791	324,155,265
Issue of members' shares – net of redemptions	19,045	12,375
	348,331,836	324,167,640
Net increase (decrease) in funds on hand and on deposit	(14,617,121)	97,449,229
Funds on hand and on deposit – Beginning of year	165,164,119	67,714,890
Funds on hand and on deposit – End of year	\$ 150,546,998	\$ 165,164,119
Supplemental information		
Interest received	\$ 108,727,042	\$ 100,037,369
Interest paid	60,441,265	54,047,410
Income taxes paid	190,276	3,440,374

Notes to Consolidated Financial Statements

December 31, 2010

1. Significant accounting policies

The consolidated financial statements include the accounts of Steinbach Credit Union Limited (the "Credit Union") and its wholly-owned subsidiary, 5621268 Manitoba Ltd. and its related equity accounted investments. The investments are recorded at cost and are increased for the proportionate share of post-acquisition earnings and decreased by post-acquisition losses.

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

Funds on hand and on deposit

Funds on hand and on deposit consist of cash and deposits with other financial institutions.

Investments

Contract deposits are classified as held to maturity and are recorded at amortized cost. Shares in Credit Union Central of Manitoba ("Central") are not actively traded in a quoted market and are recorded at cost.

Investments in bonds and debentures, and the N.H.A. insured mortgage are carried at amortized cost. Premiums or discounts related to the purchase of bonds and debentures, and the N.H.A. insured mortgage are amortized and recorded as interest income over the life of the investment.

If the fair value of investments becomes lower than cost and this decline in the value is considered to be other than temporary, the investments are written down to fair value and recorded in income in the period. The Credit Union assesses whether a financial asset is other than temporarily impaired by assessing whether there is a significant or prolonged decline in fair value and objective evidence of impairment exists, such as financial difficulty, breach or default of contracts, probability of bankruptcy or other financial reorganization.

Loans to members

Loans are initially recognized at fair value and are subsequently recorded at amortized cost using the effective interest method of amortization. Loans are stated net of an allowance established to recognize estimated probable losses. Property held for resale is valued at the lower of cost and estimated net realizable value. At December 31, 2010, there was no property held for resale. Loans are written off when there is no realistic prospect of recovering the loan in full. Recoveries on loans previously written off are taken into income.

Notes to Consolidated Financial Statements

December 31, 2010

Allowance for doubtful loans

The Credit Union maintains allowances for doubtful loans that reduce the carrying value of loans identified as impaired to their estimated realizable amounts. A loan is considered impaired if it is more than 90 days past due and the Credit Union no longer has reasonable assurance that the full amount of the principal and interest will be collected in accordance with the terms of the loan agreement. Estimated realizable amounts are determined by estimating the fair value of security underlying the loans and deducting costs of realization, or by discounting the expected future cash flows at the effective interest rate. Changes in the estimated realizable amounts arising subsequent to initial impairment recognition are recorded as a charge or credit for loan impairment.

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

Revenue recognition

Interest on loans to members is recorded as income using the effective interest rate method except for loans which are considered impaired. Recognition of income ceases when it becomes apparent that the loan is impaired.

Property and equipment

Property and equipment are recorded at acquisition cost and amortization is provided over the estimated useful life of the assets as follows:

Buildings	5% declining balance or 40 years straight-line
Furniture and equipment	20% – 30% declining balance or 5 years straight-line
Computer equipment	4 years straight-line
Banking software	9 years straight-line

Income taxes

Income taxes are provided for using the liability method. Under this method, temporary differences are recorded using tax rates anticipated to be in effect when the corresponding taxes will be paid or refunded. Temporary differences are comprised primarily of differences between the financial reporting and the income tax bases of the Credit Union's allowance for doubtful loans and property and equipment. Future income tax assets are recognized to the extent that realization is considered more likely than not.

Translation of foreign currencies

Funds on hand and on deposit and members' deposits denominated in foreign currencies are translated into Canadian dollars at the rates prevailing on the balance sheet date. Foreign exchange gains and losses are recorded in other income at the rates prevailing at the time of the transaction.

Derivative financial instruments

Derivative financial instruments, including embedded derivatives which are required to be accounted for separately, are recorded on the balance sheet at fair value. Changes in the value of the derivative instruments are recognized directly in income for the year. The Credit Union has no material derivative financial instruments.

Notes to Consolidated Financial Statements

December 31, 2010

2. Investments

	2010	2009
Credit Union Central of Manitoba		
Shares – at cost	\$ 39,034,173	\$ 39,046,597
Contract deposits	376,092,961	213,110,961
	<u>415,127,134</u>	<u>252,157,558</u>
Concentra Financial Services Association – shares	5,030	5,030
Bonds and debentures	588,988	725,000
N.H.A. insured mortgage	–	466,231
	<u>415,721,152</u>	<u>253,353,819</u>
Accrued interest receivable	1,347,789	1,682,662
	<u>\$ 417,068,941</u>	<u>\$ 255,036,481</u>
	Interest rates	Maturity dates
	ranging from	ranging from
Contract deposits	0.21% – 4.385%	30 days – 2 years
Bonds and debentures	3.2%	4 years

3. Loans to members

At December 31, 2010, loans to members are presented net of allowances for doubtful loans totalling \$12,900,000 (2009 – \$12,886,120), consisting of specific allowances of \$7,340,425 (2009 – \$8,470,630) for loans considered impaired and \$5,559,575 (2009 – \$4,415,490) as non specific allowances.

	Gross loan balance	Allowances	2010 Net loan balance	2009 Net loan balance
Consumer	\$ 1,386,190,294	\$ (238,266)	\$ 1,385,952,028	\$ 1,240,318,388
Agricultural	381,036,062	(5,747,040)	375,289,022	386,427,271
Commercial	838,736,363	(1,355,119)	837,381,244	761,139,036
	<u>2,605,962,719</u>	<u>(7,340,425)</u>	<u>2,598,622,294</u>	<u>2,387,884,695</u>
Accrued interest	5,146,262	–	5,146,262	4,997,296
Non-specific allowances	–	(5,559,575)	(5,559,575)	(4,415,490)
	<u>\$ 2,611,108,981</u>	<u>\$ (12,900,000)</u>	<u>\$ 2,598,208,981</u>	<u>\$ 2,388,466,501</u>

Notes to Consolidated Financial Statements

December 31, 2010

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

	Impaired loan balance	Specific allowances	2010 Net impaired loan balance	2009 Net impaired loan balance
Consumer	\$ 1,171,726	\$ (238,266)	\$ 933,460	\$ 3,014,995
Agricultural	10,797,180	(5,747,040)	5,050,140	16,517,485
Commercial	2,746,871	(1,355,119)	1,391,752	5,655,587
	14,715,777	(7,340,425)	7,375,352	25,188,067
Accrued interest	959,972	—	959,972	698,577
	<u>\$ 15,675,749</u>	<u>\$ (7,340,425)</u>	<u>\$ 8,335,324</u>	<u>\$ 25,886,644</u>

The estimated fair value of the collateral held by the Credit Union as security for impaired loans is \$48,618,130 (2009 – \$43,500,000). The Credit Union has estimated the fair value of collateral based on an updated assessment of the security appraisal undertaken at the original funding assessment and management's knowledge of the market value of the security.

The total allowance for doubtful loans consists of:

	Consumer	Agricultural	Commercial	2010 Total	2009 Total
Specific provision	\$ 238,266	\$ 5,747,040	\$ 1,355,119	\$ 7,340,425	\$ 8,470,630
General provision	1,482,224	2,692,705	1,384,646	5,559,575	4,415,490
	<u>\$ 1,720,490</u>	<u>\$ 8,439,745</u>	<u>\$ 2,739,765</u>	<u>\$ 12,900,000</u>	<u>\$ 12,886,120</u>

Notes to Consolidated Financial Statements

December 31, 2010

The change in the allowance for doubtful loans is as follows:

	Consumer	Agricultural	Commercial	2010 Total	2009 Total
Balance – beginning of year	\$ 1,570,826	\$ 8,537,662	\$ 2,777,632	\$ 12,886,120	\$ 11,946,371
Provision for doubtful loans	445,874	182,731	116,734	745,339	1,300,000
	2,016,700	8,720,393	2,894,366	13,631,459	13,246,371
Loans written off in the year	(296,210)	(280,648)	(154,601)	(731,459)	(360,251)
Balance – end of year	\$ 1,720,490	\$ 8,439,745	\$ 2,739,765	\$ 12,900,000	\$ 12,886,120

Loans past due but not impaired

A loan is considered past due when a counterparty has not made a payment by the contractual due date. The following table presents the carrying value of loans at December 31, 2010 that are past due but not classified as impaired because they are either (i) less than 90 days past due, or (ii) fully-secured and collection efforts are reasonably expected to result in repayment.

	1 – 30 days	31 – 60 days	61 days and greater	2010 Total
Consumer	\$ 4,570,560	\$ 518,697	\$ 163,908	\$ 5,253,165
Agricultural	9,614,608	1,590,498	582,599	11,787,705
Commercial	7,869,429	2,029,170	197,327	10,095,926
	\$ 22,054,597	\$ 4,138,365	\$ 943,834	\$ 27,136,796

	1 – 30 days	31 – 60 days	61 days and greater	2009 Total
Consumer	\$ 2,954,445	\$ 747,150	\$ 155,744	\$ 3,857,339
Agricultural	946,707	3,953,163	2,439,878	7,339,748
Commercial	4,351,188	1,959,176	731,059	7,041,423
	\$ 8,252,340	\$ 6,659,489	\$ 3,326,681	\$ 18,238,510

The principal collateral and other credit enhancements the Credit Union holds as security for loans include (i) insurance and mortgages over residential lots and properties, (ii) recourse to business assets such as real estate, equipment, inventory and accounts receivable, (iii) recourse to the commercial real estate properties being financed, and (iv) recourse to liquid assets, guarantees and securities. Valuations of collateral are updated periodically depending on the nature of the collateral. The Credit Union has policies in place to monitor the existence of undesirable concentration in the collateral supporting its credit exposure.

Notes to Consolidated Financial Statements

December 31, 2010

4. Property and equipment

			2010	2009
	Cost	Accumulated amortization	Net	Net
Land	\$ 7,204,102	\$ –	\$ 7,204,102	\$ 6,930,384
Buildings	35,532,763	5,941,167	29,591,596	10,299,043
Furniture and equipment	5,316,500	2,922,377	2,394,123	1,373,480
Computer equipment	7,179,084	5,582,068	1,597,016	1,897,885
Banking software	2,223,494	247,055	1,976,439	2,223,494
Construction in progress	–	–	–	14,638,303
	<u>\$ 57,455,943</u>	<u>\$ 14,692,667</u>	<u>\$ 42,763,276</u>	<u>\$ 37,362,589</u>

Amortization expense of \$2,676,030 (2009 – \$1,974,908) is included in administrative expense and occupancy expense in the consolidated statement of net income, comprehensive income and retained surplus.

5. Other assets

	2010	2009
Accounts receivable	\$ 1,227,262	\$ 792,875
Prepaid expenses	994,240	1,206,853
Income taxes recoverable	–	1,640,592
Equity investments	4,183,426	1,500,000
Future income tax asset (note 11)	1,042,850	960,850
	<u>\$ 7,447,778</u>	<u>\$ 6,101,170</u>

6. Line of credit

The Credit Union has approved lines of credit equal to 10% of its members' deposits with Central, or \$303,191,343. The line of credit with Central is payable on demand with interest payable on a variable rate basis. As collateral for the line of credit, the Credit Union has pledged an assignment of shares and deposits in Central and a general assignment of loans receivable from members. At December 31, 2010, the line of credit was unutilized.

7. Members' deposits

	2010	2009
Savings	\$ 1,953,365,398	\$ 1,686,787,853
Chequing	266,012,444	224,816,937
Term deposits	336,699,001	328,333,953
Registered products	463,452,183	430,711,897
Inactive accounts	119,558	77,627
	<u>3,019,648,584</u>	<u>2,670,728,267</u>
Accrued interest	12,264,848	12,872,374
	<u>\$ 3,031,913,432</u>	<u>\$ 2,683,600,641</u>

Notes to Consolidated Financial Statements

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8. Accounts payable

	2010	2009
Income taxes payable	\$ 721,132	\$ –
The Deposit Guarantee Corporation of Manitoba assessment	644,064	536,774
Accrued expenses and payables	7,082,760	10,306,479
Certified cheques	814,234	1,263,376
	<u>\$ 9,262,190</u>	<u>\$ 12,106,629</u>

9. Capital disclosures

The Credit Union operates pursuant to the Credit Unions and Caisses Populaires Act (Manitoba) (the “Act”). Regulations to the Act establish the following requirements with respect to capital and liquidity reserves:

Capital requirements

The Credit Union shall maintain a level of capital, which is comprised of members’ equity, that meets or exceeds the following requirements:

- a) its capital shall not be less than 5% of the book value of its assets;
- b) its retained surplus shall not be less than 3% of the book value of its assets; and
- c) a tiered level of capital shall not be less than 8% of the risk-weighted value of its assets as defined in the Regulations.

The Credit Union is in compliance with the capital requirements at December 31, 2010.

Liquidity reserve

The Credit Union shall maintain in funds on hand and on deposit and investments in Central not less than 8% of its total members’ deposits.

The Credit Union is in compliance with the liquidity reserve requirements at December 31, 2010.

Capital is managed in accordance with policies established by the Board. Management regards a strong capital base as an integral part of the Credit Union’s strategy. The Credit Union has a capital plan to provide a long term forecast of capital requirements. All of the elements of capital are monitored throughout the year, and modifications of capital management strategies are made as appropriate.

10. Members’ shares

Each member of the Credit Union has one vote, regardless of the number of shares that a member holds.

Each member must purchase one common share. No member may hold more than 10% of the issued shares in any class.

Authorized shares

Common shares

Authorized common share capital consists of an unlimited number of common shares, with an issue price per share to be not less than \$5 and redeemable in the amount of consideration received for the share. The total amount of common shares purchased or redeemed by the Credit Union shall not reduce the Credit Union’s equity below 5% of assets.

Issued shares

	2010	2009
79,289 common shares	\$ 396,445	\$ 377,400

During the year, the Credit Union issued net 3,809 (2009 – 2,475) common shares.

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11. Provision for income taxes

	2010	2009
Components of provision for income taxes		
Current income tax expense	\$ 2,552,000	\$ 1,870,000
Future income tax expense	(82,000)	325,000
	<u>\$ 2,470,000</u>	<u>\$ 2,195,000</u>

The total provision for income taxes in the consolidated statement of net income, comprehensive income and retained surplus is at a rate other than the combined federal and provincial income tax rates for the following reasons:

	2010	2009
Combined federal and provincial statutory income tax rates	30.0%	31.5%
Credit Union rate reduction	(18.1)	(19.5)
Non deductible and other items	(0.1)	1.1
	<u>11.8%</u>	<u>13.1%</u>

12. Risk management

The Credit Union's risk management policies are designed to identify and analyse risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Credit Union follows an enterprise risk management framework which involves identifying particular events or circumstances relevant to its objectives, assessing them in terms of probability and magnitude, determining a response strategy and monitoring progress. The Credit Union regularly reviews its risk management policies and systems to take account of changes in markets and products.

Risk management is carried out by management who reports to the Board of Directors (the "Board"). The Board provides written principles for risk tolerance and overall risk management. Management reports to the Board on the Credit Union's compliance with the risk management policies. In addition, the Credit Union maintains an Internal Audit function which is responsible for independent review of risk management and the Credit Union's control environment.

Financial instruments comprise the majority of the Credit Union's assets and liabilities. The Credit Union accepts deposits from members at both fixed and floating rates for various periods. The Credit Union seeks to earn an interest rate margin by investing these funds in high quality financial instruments – principally loans and mortgages. The primary types of financial risk which arise from this activity are interest rate, credit, liquidity, foreign exchange and price risk.

Notes to Consolidated Financial Statements

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The following table describes the significant financial instrument activity undertaken by the Credit Union, the risks associated with such activities and the types of methods used in managing those risks.

Activity	Risks	Method in managing risks
Investments and funds on hand and on deposit	Sensitivity to changes in interest rates, foreign exchange rates, and credit risk	Asset-liability matching, monitoring of investment restrictions and monitoring of counterparty risk
Loans to members	Sensitivity to changes in interest rates and credit risk	Asset-liability matching, periodic use of derivatives and monitoring of counterparty risk
Members' deposits	Sensitivity to changes in interest rates and foreign exchange rates	Asset-liability matching, periodic use of derivatives

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of the Credit Union's financial instruments will fluctuate due to changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in prevailing market interest rates. Financial margin reported in the consolidated statement of net income, comprehensive income and retained surplus may increase or decrease in response to changes in market interest rates. Accordingly, the Credit Union sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored by management and reported to the Board of Directors.

In managing interest rate risk, the Credit Union relies primarily upon the use of asset-liability and interest rate sensitivity models. Periodically, the Credit Union may enter into interest rate swaps to adjust the exposure to interest rate risk by modifying the re-pricing of the Credit Union's financial instruments. The Credit Union has not entered into any interest rate swaps in the current year.

Sensitivity analysis is used to assess the change in value of the Credit Union's financial instruments against a range of incremental basis point changes in interest rates over a twelve month period. Interest rate shock analysis is calculated in a similar manner to sensitivity analysis but involves a more significant change of 100 basis points or greater in interest rates. Sensitivity analysis and interest rate shock analysis are calculated on a monthly basis and are reported to the Board of Directors. Based on current differences between financial assets and financial liabilities as at December 31, 2010, the Credit Union estimates that an immediate and sustained 100 basis point increase in interest rates would decrease net interest income by \$2,100,000 (2009 – \$8,000) over the next 12 months while an immediate and sustained 100 basis point decrease in interest rates would increase net interest income by \$2,100,000 (2009 – \$8,000) over the next 12 months.

Other types of interest rate risk may involve basis risk, the risk of loss arising from changes in the relationship of interest rates which have similar but not identical characteristics (for example the difference between prime rates and the Canadian Deposit Offering Rate) and prepayment risk (the risk of loss of interest income arising from the early repayment of fixed rate mortgages and loans). These risks are also monitored on a regular basis and are reported to the Board of Directors.

Notes to Consolidated Financial Statements

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The following schedule shows the Credit Union's sensitivity to interest rate changes as at December 31, 2010. Amounts with floating rates or due or payable on demand are classified as maturing within less than one year, regardless of maturity. Loans and deposits subject to fixed rates are based on contractual terms. Amounts that are not interest sensitive have been grouped together.

	Assets	Liabilities and members' equity	Net asset/ liability gap
Expected repricing or maturity date			
Less than one year	\$ 2,336,679,607	2,339,388,958	(2,709,351)
1 to 2 years	151,363,023	168,926,108	(17,563,085)
2 to 3 years	115,537,536	108,777,401	6,760,135
3 to 4 years	160,563,723	81,182,440	79,381,283
4 to 5 years	316,750,153	52,306,180	264,443,973
Over 5 years	48,494,480	–	48,494,480
Not interest sensitive	86,647,452	465,454,887	(378,807,435)
	<u>\$ 3,216,035,974</u>	<u>\$ 3,216,035,974</u>	<u>\$ –</u>

The average rate for interest bearing assets is 3.64% (2009 – 3.60%) and for interest bearing liabilities is 2.39% (2009 – 2.32%).

Interest sensitive assets and liabilities cannot normally be perfectly matched by amount and term to maturity. One of the roles of a credit union is to intermediate between the expectations of borrowers and depositors.

Credit risk

Credit risk is the risk that a Credit Union member or counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred at the balance sheet date. Significant changes in the economy of Manitoba or deterioration in lending sectors which represent a concentration within the Credit Union's loan portfolio may result in losses that are different from those provided for at the balance sheet date. Management of credit risk is an integral part of the Credit Union's activities. Management carefully monitors and manages the Credit Union's exposure to credit risk by a combination of methods. Credit risk arises principally from lending activities that result in loans to members and investing activities that result in investments in cash resources. There is also credit risk in unfunded loan commitments. The overall management of credit risk is reported to the Board of Directors.

Concentration of loans is managed by the implementation of sectoral and member specific limits as well as the periodic use of syndications with other financial institutions to limit the potential exposure to any one member.

The Board of Directors is responsible for approving and monitoring the Credit Union's tolerance for credit exposures which it does through review and approval of the Credit Union's lending policies and credit scoring system and through setting limits on credit exposures to individual members and across sectors. The Credit Union maintains levels of borrowing approval limits and prior to advancing funds to a member, an assessment of the credit quality of the member is made. The Credit Union emphasises responsible lending in its relationships with members and to establish that loans are within the member's ability to repay, rather than relying exclusively on collateral.

The classes of financial instruments to which the Credit Union is most exposed are loans to members, funds on hand and on deposit and investments.

Notes to Consolidated Financial Statements

December 31, 2010

Credit risk exposure	Outstanding	Undrawn commitments	Total exposure
Funds on hand and on deposit	\$ 150,546,998	–	150,546,998
Investments	417,068,941	–	417,068,941
Consumer loans	1,386,190,294	172,336,258	1,558,526,552
Agricultural loans	381,036,062	59,536,002	440,572,064
Commercial loans	838,736,363	135,281,844	974,018,207
Accrued interest	5,146,262	–	5,146,262
Total exposure	\$ 3,178,724,920	\$ 367,154,104	\$ 3,545,879,024

a) Funds on hand and on deposit and investments

Credit risk related to funds on hand and on deposit and investments is considered insignificant as substantially all of these assets are invested with Central.

b) Consumer loans

Consumer loans primarily consist of personal loans, and \$1,127,863,121 (2009 – \$1,012,669,438) of real estate mortgages which are fully secured by residential property. The Credit Union's policy is to not exceed a loan to value ratio of 80%.

c) Agricultural and commercial loans and lines of credit

The Credit Union often takes security as collateral in common with other lending institutions. The Credit Union maintains guidelines on the acceptability of specific types of collateral. Collateral may include mortgages over residential properties and charges over business assets such as premises, inventory and accounts receivable. Where significant impairment indicators are identified, the Credit Union will take additional measures to manage the risk of default, which may include seeking additional collateral.

The Credit Union's commercial lending is well diversified by industry type, as follows:

	2010
Agricultural	31.7%
Construction	9.0%
Retail	3.3%
Hospitality	2.7%
Industrial	12.2%
Residential rental	3.1%
Commercial rental	38.0%

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The credit quality of the loan portfolio for those loans which are neither past due or impaired can be assessed by reference to the Deposit Guarantee Corporation of Manitoba's ("Deposit Guarantee Corporation") risk rating model. The Credit Union assesses the probability of a default using the above risk rating tools and taking into account statistical analysis as well as the experience and judgement of the Credit department. The risk rating model and classifications were expanded in 2010. Comparative results from 2009 are not available due to these changes. Loans to members are now divided into eight segments and are regularly reviewed and updated as appropriate.

	2010
Excellent risk	0.4%
Very good risk	5.0%
Good risk	51.4%
Acceptable risk	32.3%
Caution risk	3.6%
At risk	5.9%
Impaired – no reserve	0.0%
Impaired – reserve	1.4%

Liquidity risk

Liquidity risk is the risk that the Credit Union will encounter difficulty in raising funds to meet its obligations to members and other liabilities. To mitigate this risk, the Credit Union is required to maintain, in the form of cash and term deposits, a minimum liquidity at all times as described in note 9. The Credit Union's own risk management policies require it to maintain sufficient liquid resources to cover cash flow imbalances, to retain member confidence in the Credit Union and to enable the Credit Union to meet all financial obligations. This is achieved through maintaining a prudent level of liquid assets, through management control of the growth of the loan portfolio, securitizations and asset-liability maturity management techniques. Management monitors rolling forecasts of the Credit Union's liquidity requirements on the basis of expected cash flows as part of its liquidity management.

The following table summarizes the undiscounted cash flows of financial assets and liabilities by contractual or expected maturity.

The remaining contractual maturity of recognized financial instruments is as follows:

	Payable on demand	Payable on a fixed date			Total
		Less than 1 year	1 to 2 years	2 to 5 years	
Financial assets					
Funds on hand and on deposit	\$ 150,546,998	\$ –	\$ –	\$ –	\$ 150,546,998
Investments	40,513,953	348,966,000	27,000,000	588,988	417,068,941
Loans to members	1,484,520,352	82,928,182	146,160,543	897,499,904	2,611,108,981
Other financial assets	–	1,227,262	–	–	1,127,262
	<u>\$ 1,675,581,303</u>	<u>\$ 433,121,444</u>	<u>\$ 173,160,543</u>	<u>\$ 898,088,892</u>	<u>\$ 3,179,852,182</u>

Notes to Consolidated Financial Statements

December 31, 2010

	Payable on demand	Less than 1 year	Payable on a fixed date		Total
			1 to 2 years	2 to 5 years	
Financial liabilities					
Members' deposits	\$ 2,464,965,876	\$ 155,755,426	\$ 168,926,108	\$ 242,266,022	\$ 3,031,913,432
Accounts payable	–	9,262,190	–	–	9,262,190
Lease commitments	–	199,428	49,857	–	249,285
	<u>\$ 2,464,965,876</u>	<u>\$ 165,217,044</u>	<u>\$ 168,975,965</u>	<u>\$ 242,266,022</u>	<u>\$ 3,041,424,907</u>

Foreign exchange risk

Foreign exchange risk is the risk that arises when future commercial transactions or recognized assets or liabilities are denominated in a foreign currency. Foreign exchange risk is not considered significant at this time as the Credit Union does not engage in any active trading of foreign currency positions or hold significant foreign currency denominated financial instruments for an extended period.

As at December 31, 2010, the Credit Union had U.S. \$1,000,000 (2009 – U.S. \$4,500,000) of notional principal in foreign exchange forward agreements to sell U.S. dollars, and U.S. \$1,000,000 (2009 – U.S. \$4,500,000) of notional principal in foreign exchange forward agreements to buy U.S. dollars. These amounts are not indicative of the underlying credit risk. The credit risk is represented by the cost to replace the agreement with one of the counterparties at December 31, 2010. This cost would be incurred only in the event of failure by the counterparty to honour its contractual obligations. The counterparties for all agreements are restricted to the major chartered banks and members of the Credit Union, and it is management's assessment that an event of failure is remote and that the associated credit risk is insignificant.

Price risk

Price risk arises from changes in market risks, other than interest rate, credit, liquidity or foreign exchange risk, causing fluctuations in the fair value or future cash flows of a financial instrument. Price risk is not considered significant at this time.

13. Fair value of financial instruments

Differences between book value and fair value of investments, loans to members, member deposits and other financial assets and liabilities are caused by differences between the interest rate obtained at the time of the original investment, loan or deposit and the current rate for the same product. Loans to members and member deposits that are priced with variable rates have a fair value equal to book value, as they are priced at current interest rates.

While fair value amounts are designed to represent estimates of the amounts at which assets and liabilities could be exchanged in a current transaction between arm's length willing parties, the Credit Union normally holds all of its fixed term investments, loans and deposits to their maturity date. Consequently, the fair values presented are estimates derived by taking into account changes in the market interest rates and may not be indicative of the net realizable value. Furthermore, as many of the Credit Union's financial instruments lack an available trading market, the fair value of loans and member deposits with fixed rates are estimated using discounted cash flow models with discount rates based on current market interest rates for similar types of instruments. The inputs to the valuation model for fixed rate loans include scheduled loan amortization rates, estimated rates of repayment with the future cash flows discounted using current market rates for equivalent groups of mortgages or loans. The future cash flows on fixed rate

Notes to Consolidated Financial Statements

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deposits and fixed rate borrowings are discounted to their estimated present value using a discount rate based on the Credit Union's posted interest rates curve which is constructed using the forward yield curve of a closely correlated market rate. Other inputs may include the addition of an interest rate spread to incorporate an appropriate risk premium over Government of Canada rates. The significant assumptions included in the determination of fair value include estimates of credit losses, estimates of interest rates and the estimates of discount rates.

The most significant assumption relates to the discount rates utilized. It is estimated that a 10 basis point change in the discount rate would change the fair value of loans to members and investments by approximately \$2,618,600 (2009 – \$2,257,000), and the fair value of members' deposits by approximately \$1,153,600 (2009 – \$1,270,000).

The fair values disclosed exclude the values of assets and liabilities that are not considered financial instruments such as land, buildings and equipment. The fair values also exclude accounts payable as the fair values of these financial instruments are estimated to approximate book values.

Fair value of financial assets and liabilities

As at December 31, 2010:

	Held for trading	Financial assets/ liabilities at cost or amortized cost	Estimated fair value	Fair value greater (less) than book value
Financial assets				
Funds on hand and on deposit	\$ 150,546,998	\$ –	\$ 150,546,998	\$ –
Investments	–	417,068,941	416,322,948	(745,993)
Loans to members	–	2,598,208,981	2,618,084,438	19,875,457
Total financial assets	\$ 150,546,998	\$ 3,015,277,922	\$ 3,184,954,384	\$ 19,129,464
Financial liabilities				
Members' deposits	–	3,031,913,432	3,033,658,408	1,744,976
Total financial liabilities	\$ –	\$ 3,031,913,432	\$ 3,033,658,408	\$ 1,744,976

As at December 31, 2009:

	Held for trading	Financial assets/ liabilities at cost or amortized cost	Estimated fair value	Fair value greater than book value
Financial assets				
Funds on hand and on deposit	\$ 165,164,119	\$ –	\$ 165,164,119	\$ –
Investments	–	255,036,481	256,284,314	1,247,833
Loans to members	–	2,388,466,501	2,408,332,334	19,865,833
Total financial assets	\$ 165,164,119	\$ 2,643,502,982	\$ 2,829,780,767	\$ 21,113,666
Financial liabilities				
Members' deposits	–	2,683,600,641	2,690,951,505	7,350,864
Total financial liabilities	\$ –	\$ 2,683,600,641	\$ 2,690,951,505	\$ 7,350,864

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Fair value hierarchy

Assets and liabilities recorded at fair value in the balance sheet are measured and classified in a hierarchy consisting of three levels for disclosure purposes; the three levels are based on the priority of the inputs to the respective valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). An asset or liability's classification within the fair value hierarchy is based on the lowest level of significant input to its valuation. The input levels are defined as follows:

- *Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities*
Assets measured at fair value and classified as Level 1 include funds on hand and on deposit.
- *Level 2: Quoted prices in markets that are not active or inputs that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices)*
Level 2 inputs include quoted prices for assets in markets that are considered less active. There are no assets measured at fair value classified as Level 2.
- *Level 3: Unobservable inputs that are supported by little or no market activity and are significant to the estimated fair value of the assets or liabilities*
Level 3 assets and liabilities would include financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of estimated fair value requires significant management judgment or estimation. There are no assets measured at fair value classified as Level 3.

14. Related party transactions

The Deposit Guarantee Corporation of Manitoba

The Deposit Guarantee Corporation was incorporated for the purpose of protecting the members of credit unions from financial loss in respect of their deposits with credit unions and to establish sound procedures and controls for credit unions. The Deposit Guarantee Corporation provides a safeguard of all savings and deposits of members of Manitoba credit unions.

Transactions with the Deposit Guarantee Corporation included assessments of \$2,576,256 (2009 – \$1,882,515) and are recorded as member security expense.

Credit Union Central of Manitoba

The Credit Union is a member of Credit Union Central of Manitoba which acts as a depository for surplus funds, and makes loans to, credit unions. Central also provides other services for a fee to the Credit Union and acts in an advisory capacity.

Transactions with Central included income earned on investments referred to in note 2 in the amount of \$11,393,783 (2009 – \$10,039,068) and fees assessed by Central which include annual affiliation dues in the amount of \$685,909 (2009 – \$650,292) recorded as organizational expenses.

Celero Solutions

The Credit Union has entered into an agreement with Celero Solutions to provide information technology services including banking system services and network infrastructure. 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.

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December 31, 2010

Everlink Payment Services Inc.

The Credit Union receives electronic transaction switching services from Everlink. In accordance with the Credit Union's accounting policy for these services, the Credit Union recorded an expense to Central of \$7,538 (2009 – \$57,052), representing the Credit Union's proportionate share of Everlink's operating loss for the year.

Directors

Transactions with directors are at terms and conditions as set out by the statutes, by-laws and policies of the Credit Union. Fees and expenses paid by the Credit Union on behalf of the directors were \$347,873 (2009 – \$269,103).

Loans to directors, staff and equity investment

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

As at December 31, 2010, outstanding loans to directors and committee members, as well as management and staff and equity investment totalled 2.02% (2009 – 2.14%), in aggregate, of the assets of the Credit Union.

15. Commitments and guarantees

Loans

The Credit Union has authorized \$542,249,906 for line of credit loans, of which \$294,463,707 has not been advanced as of the year end. In addition, \$62,393,235 in loans to members have been authorized but have not been advanced as of the year end. The Credit Union had also made commitments to members for unexpired letters of credit in the amount of \$10,297,162 as at December 31, 2010.

Director and officer indemnification

The Credit Union indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Credit Union to the extent permitted by law.

16. Contingencies

The Credit Union, in the course of its operations, is subject to lawsuits. As a policy, the Credit Union will accrue for losses in instances where it is probable that liabilities will be incurred and where such liabilities can be reasonably estimated.

17. Pension plan

The Credit Union has a defined contribution pension plan for qualifying employees. The contributions are held in trust by the Co operative Superannuation Society Limited and are not recorded in these financial statements. The Credit Union matches employee contributions which range between 5% and 7% of the employee's salary. The expense and payments for the year ended December 31, 2010 were \$797,509 (2009 – \$693,086). As a defined contribution pension plan, the Credit Union has no further liability or obligation for future contributions to fund future benefits to plan members.

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