

**Nelson & District**

CREDIT UNION  *Logically. Locally.*



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# BANK LOCAL

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2011 Annual Report

# YEAR IN REVIEW 2011

**W**e strongly believe in “keeping interest local.” As a Nelson & District Credit Union member, you share a common goal with all members: a commitment to keeping interest local. Members who support this “100-mile” financial option contribute to a vibrant community and a dynamic local economy, while ensuring decisions are kept close to home.

Investing in your community promotes practical economics: every dollar that remains has a multiplier effect. By borrowing and investing with Nelson & District Credit Union, we can continue to actively support your local economy.

Your Credit Union is governed by a board of volunteer directors elected by the membership. Members shape a credit union through ownership; a member share ensures all individuals have an equal voice in the overall direction of their Credit Union.

**N**DCU is devoted to supporting worthwhile causes in our communities. Your Community Investment Program distributed \$268,931 in 2011, with over \$2.6 million in cumulative giving since 2000.

Once again, members provided financial support to Rossland’s Golden City Days, an annual celebration that was tied to the Rossland community branch’s anniversary. Seventy years ago, a group of like-minded Rosslanders recognized the necessity for financial services that could support their community’s need, a need the big

banks could not meet. This dedicated group secured a home for a community Credit Union that has always been proud to serve.

NDCU embraces investment in community foundations that offer financial support in perpetuity. In 2011, your Credit Union continued relationships with Kootenay Lake Hospital, Kootenay Boundary Regional Hospital, Selkirk College, as well as the Creston-Kootenay, Osprey and LeRoi Foundations.

“NDCU has been a great friend and supporter of Osprey Community Foundation over the years,” states Vivien Bowers, Osprey’s executive director. “Credit unions and community foundations share the same vision: investing locally to build community vitality and sustainability. Together we’ve built an endowment to serve this area—a community nest egg. It generates money that Osprey can distribute to hard-working local charities and non-profits year after year.”



Circle of Habondia’s Community WISH Project

Nelson Search and Rescue Groundbreaking for New Facility



St Savior’s Stained



Creston-Kootenay Foundation Chair Larry Brierley adds, “Your Credit Union has proven to be a true community partner. The board and staff have all shown great willingness and enthusiasm to meet, listen, question in a professional manner, all the while determining how the Credit Union can co-operate with a local ‘not-for-profit’ to build a stronger and more diverse community. Thank you for being an East Shore good neighbour.”

**W**e continue to develop innovative banking solutions that make us a strong financial co-operative. In 2011, your Credit Union took a monumental step with “SWITCH,” its successful upgrade to a next-generation banking system.

In the spirit of co-operation, we aim to foster innovative alliances. Living the sixth principle of co-operatives, NDCU looks for many ways to improve our communities by aligning with like-minded credit

unions and co-operatives. We partnered with two Kootenay credit unions—Kootenay Savings and Heritage—to support the success of the BC Seniors Games in the tricities of Nelson, Castlegar and Trail.

**Y**our Credit Union has a dedicated team that addresses the importance of a balanced approach to workplace wellness. They offer challenging initiatives and incentives that are fun, inclusive and supportive. NDCU’s seven aspects of wellness include physical, social, emotional, career, mental, environmental and spiritual health.

**N**elson & District Credit Union is devoted to the future of our organization and our communities by making a recognized commitment to youth that surpasses the efforts made by many other financial institutions.

Since the inception of your Credit Union’s youth initiative in 2002, close to 2,000 students, from elementary to post-secondary, have received presentations on the importance of being financially literate. Check out [zippitydodog.com](http://zippitydodog.com) for more financial information for youth.

At your Credit Union, we recognize youth as a vital component of our communities. We continually strive to offer education and solutions that best serve the needs of members, regardless of age.

It makes sense to keep interest dollars and decision-making local, and that is why we are proud to say Logically. Locally.



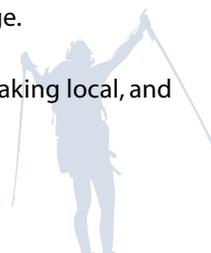
*East Shore Ambulance Auxiliary*



*Class Guidebook*



*Rosland Secondary School Award Recipients*



## REPORT FROM THE CEO AND CHAIR



John Malakoff, Chair

Doug Stoddart, CEO

The year 2011 will be remembered as a year when global economic challenges continued. In 2008, the global challenges started in the United States with the housing market collapse; however, in 2011, it was Greece and the European Union that caused the world to feel uneasy. This continued economic downturn has led to a globally low interest-rate environment. In this climate, the winners are the young borrowers with low mortgage rates, while the losers are the boomers, as they move into retirement with investments that have low yields. Your Credit Union is impacted by this low interest-rate environment.

According to the “bottom line” financial numbers, NDCU had a challenging year in 2011. The Credit Union did experience growth of \$4.5 million in 2011 by increasing membership and obtaining additional deposits. The challenge we had, and continue to have, is investing these deposits into lending opportunities for our communities. In the past year, loans have been reduced by approximately \$3.9 million. In today’s continuing low interest-rate environment, this puts additional pressure on NDCU’s financial margin. Your Credit Union has experienced a declining financial margin over the past four years.

Due to NDCU’s financial success over the past two decades, your Credit Union’s Retained Earnings position and Capital Adequacy is very strong at 18.6 per cent, significantly above the regulated level of 8 per cent. This position was enhanced in 2011 from 18.1 per cent due to different treatment of the Allowance for Bad Debts under the new International Financial Reporting Standard (IFRS) accounting rules. Your Credit Union has the financial strength to survive these challenging times, but survival is not sufficient. We need to review our business model and determine how to grow and best meet the needs of current and future members.

Thank you to the members who participated in the member survey that was conducted late in 2011. As we look at your Credit Union’s business model, we will be reviewing what these 759 members told us. With this member input, not only will we survive, but we’ll grow and continue to be a major contributor to our local communities.

Technology continues to be a big part of the financial industry. In 2011, we successfully accomplished “SWITCH,” a conversion to a next-generation banking system. This was a two-year project and cost

your Credit Union \$419,367 in one-time expenses over the two years. Our previous banking system was launched in 1996, and we expect this software to meet our needs for the next decade. In addition, payment technology will play another major role in 2012 as NDCU converts member credit and debit cards to chip-compliant cards in order to meet Canadian chip requirements. Our project-planning team is scheduling the new member cards to roll out in the fall of 2012. We thank the members for their patience during “SWITCH,” and we will keep the membership informed as we progress through the chip Member Card roll-out project.

Your Credit Union differentiates itself from the banks by investing our profits into our communities. In the past year, NDCU supported the Winter Carnival and Golden City Days in Rossland, the Brandon Salviulo Fund on the East Shore, and in Nelson, we are avid supporters of the “Shop Local” campaign. Please refer to the 2011 Community Investment Report for a detailed breakdown of these investments into our communities. All Nelson & District Credit Union annual corporate reports are available at our community branches or on our website at: [www.nelsoncu.com/corporate\\_reports](http://www.nelsoncu.com/corporate_reports).

## MESSAGE TO MEMBERS

The accompanying condensed consolidated financial statements have been prepared from the consolidated statement of financial position of Nelson & District Credit Union as at December 31, 2011, and the consolidated statement of comprehensive income and retained earnings for the year then ended. Readers are cautioned that these condensed financial statements do not include all the disclosures necessary for complete and fair presentation. Complete audited financial statements for the year ended December 31, 2011, together with the auditor’s report thereon, are available at any branch of Nelson & District Credit Union or online at [www.nelsoncu.com/corporate\\_reports](http://www.nelsoncu.com/corporate_reports).



Doug Stoddart, CEO



John R. Yowek, CGA, Controller



PEOPLE



COMMUNITY  
INVESTMENT



INNOVATION



WELLNESS



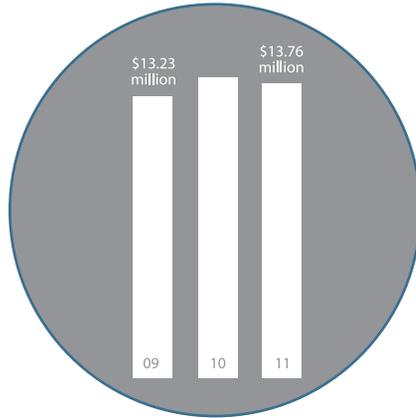
YOUTH



NDCU'S KEY STRATEGIES

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## Members' Equity



## Assets



as at December 31, 2011

## ASSETS

Cash  
Investments  
Members' loans  
Property and equipment  
Intangible assets  
Investment property  
Other assets

	2011	2010 (re-stated)
Cash	\$ 3,370,442	\$ 4,937,359
Investments	48,683,365	39,173,415
Members' loans	110,684,663	114,575,991
Property and equipment	1,750,512	1,827,636
Intangible assets	866,919	236,189
Investment property	1,134,498	1,374,155
Other assets	694,890	523,838

\$ 167,185,289    \$ 162,648,583

## LIABILITIES and MEMBERS' EQUITY

Members' Deposits  
Demand  
Term  
Registered  
Non-equity shares

Members' Deposits	\$ 95,477,109	\$ 89,224,264
Demand	30,921,812	32,838,231
Term	25,548,544	25,429,718
Registered	326,318	358,110
Non-equity shares	152,273,783	147,850,323

Other liabilities  
1,146,648    976,056  
153,420,431    148,826,379

Members' Equity  
Equity shares  
Contributed surplus  
Retained earnings

Members' Equity	1,034,183	1,127,922
Equity shares	762,796	762,796
Contributed surplus	11,967,879	11,931,486
Retained earnings	13,764,858	13,822,204

\$ 167,185,289    \$ 162,648,583

Approved by the Directors:

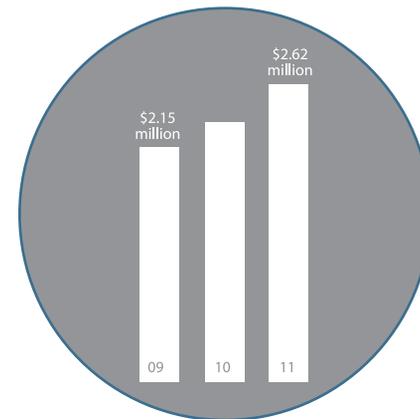
*[Signature]* *[Signature]*

# CONDENSED CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

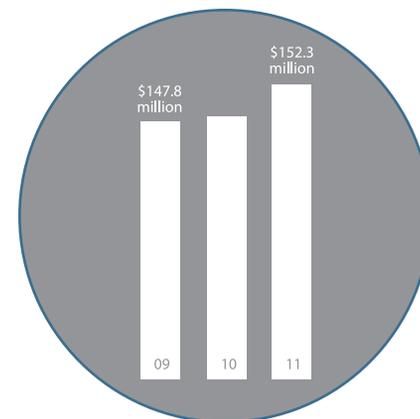
for the year ended December 31, 2011

	<b>2011</b>	<b>2010</b> (re-stated)
Interest revenue	\$ 6,322,729	\$ 6,630,916
Interest and loan related expenses	1,592,551	1,640,931
Financial margin	4,730,178	4,989,985
Other income	1,693,062	1,786,947
	<u>6,423,240</u>	<u>6,776,932</u>
Operating expenses		
Salaries and employee benefits	3,243,879	3,104,216
Community investment program	268,931	207,522
Distribution to members	84,646	81,122
Other administrative expenses	2,398,959	2,510,340
	<u>5,996,415</u>	<u>5,903,200</u>
Income before one-time expenses and taxes	426,825	873,732
Adjustment to Rossland real estate value	218,505	-
Banking system conversion costs	129,639	289,728
Income taxes (recovery)	42,288	( 100,970)
Net income	36,393	684,974
Retained earnings, beginning of year	11,931,486	11,246,512
Retained earnings, end of year	<u>\$ 11,967,879</u>	<u>\$ 11,931,486</u>

Cumulative Investment  
In Our Communities



Members' Deposits



# Nelson & District

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## Nelson Community Branch

501 Vernon Street, Nelson  
250.352.7207

Personal & Business Banking  
Wealth Management

## Rosland Community Branch

2071 Columbia Avenue, Rosland  
250.362.7393

Personal & Business Banking  
Wealth Management

## East Shore Community Branch

16030 Hwy 3A, Crawford Bay  
250.227.9221

Personal & Business Banking  
Wealth Management

[enrichingyourlife@nelsoncu.com](mailto:enrichingyourlife@nelsoncu.com)

**kis** Kootenay  
Insurance  
Services INC.  
kootenayinsurance.ca

**Allard Insurance**  
AGENCIES LTD  *Logically. Locally.*  
[yourfinancialhike.com](http://yourfinancialhike.com)



Design: [www.frolixdesign.com](http://www.frolixdesign.com) Cover Image: Lucas Jmieff Printed in Canada.  Product contains 50% post-consumer waste, 100% recycled, processed chlorine free.