

**Nelson & District**

CREDIT UNION  *Logically. Locally.*



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# HELPING HERE

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2012 Annual Report

## YEAR IN REVIEW 2012

Nelson & District Credit Union's family has been "Helping Here" for over 70 years. As a member, you share a common goal: 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 the success of a long-standing community cornerstone.

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 help the local economy by cycling deposits back into your community.

Governed by a volunteer board of directors that are elected by the membership, NDCU is shaped through your ownership; a member share ensures we all have an equal voice in its direction.

Your Credit Union is committed to supporting worthwhile causes in our communities. The Community Investment Program distributed \$158,118 in 2012, with close to \$2.8 million in cumulative giving since 2000. Once again, members provided financial support that, in turn, provided exceptional programming, events and experiences for our communities.

NDCU embraces investment in community foundations that offer financial support in perpetuity. In 2012, 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.

"Thank you, Nelson & District Credit Union, for your ongoing support of the Kootenay Lake Hospital Foundation for over 15 years," says the foundation's Chair Pat Dooley. "Quality health care matters to everyone, and strong partnerships, like the one we have with NDCU, do a great deal to enhance local health care. We appreciate your commitment to this community and to the future of our local hospital."

We continue to support innovative payment solutions so members can make secure electronic transactions. In 2012, your Credit Union successfully launched its new chip MEMBER CARD® debit card to over 7,000 members, and we have already started plans for the redesign of nelsoncu.com in 2013.

In the spirit of co-operation, we aim to foster innovative alliances. Embracing the sixth principle of co-operatives, NDCU looks for many ways to improve our communities by aligning with like-minded co-ops. In 2012, we partnered with KSCU to support the Nelson &

KAST- GLOWS Science Camp





Capitol Theatre Summer Youth Program

KBRH Foundation

Area Elder Abuse Prevention Program, which helps in the prevention of elder abuse, neglect and self-neglect, while ensuring early intervention.

NDCU also partnered with Nelson members of the Upper Columbia Co-operative Council to host a discussion on “The Power of the Co-op Business Model,” and during Co-op Week, we partnered with the Co-op Youth Story Project travelling art show, in celebration of the International Year of Co-operatives.

Local co-op guru Zoë Creighton states, “NDCU shines as a model of how co-operation among co-ops and credit unions builds strong communities. As a founding member of the Upper Columbia Co-op Council, and as a delegate to the board since inception, NDCU has greatly enhanced the council’s work through financial support of member co-ops and the inspired perspectives its delegates bring to our conversations and projects.”

Your 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 of all employees. For the first three months of 2012, the wellness team encouraged staff with the annual Wellness Fitness Challenge; 56 staff participated and racked up a total of 3,192 hours of physical activity.

Nelson & District Credit Union is devoted to the future of our organization, the credit union system and our communities by making a recognized commitment to youth that surpasses the efforts made by many other financial institutions. Check out [zippitydodog.com](http://zippitydodog.com) for financial literacy information for youth and [theyes.ca](http://theyes.ca) for a youth co-op learning experience.

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 strive to “Help Here” and why we are proud to say, “Logically. Locally.”



Celebrating Follies

Gray Creek Hall

## REPORT FROM THE CEO AND CHAIR



As CEO, I was in a meeting recently where I was referred to as the “captain of a ship.” I thought about it, and I consider myself to be a general at war with the economy. Since 2008, Nelson & District Credit Union has been able to weather the economic storms because of the board, management and staff’s diligence in building capital strength over the past years. We have ensured a strong viable Credit Union with a capital ratio of 18 per cent—over double the statutory level of eight per cent. However, the negative trend of earnings has reached the break-even point, and we need to reverse this trend or it will start to erode NDCU’s capital strength.

There are two challenges in front of your Credit Union. The first is to understand our long-term strategy for serving the membership. The way members handle their finances is changing: many do it online. This is confirmed by the high number of members asking for the capability to process “e-mail money transfers” through their Credit Union. The board is responding to this challenge, and others, by establishing a Future Directions Committee that will look at how your Credit Union will service the membership in the year 2015 and beyond. It’s an exciting time for your Credit Union!

The second challenge is the current operating environment. Your Credit Union’s operating costs have increased due to the following circumstances:

- Regulatory challenges, such as anti-money laundering and terrorist reporting, privacy reporting, and the recent “Foreign Account Tax Compliance Act” (FATCA) have, and will continue to have, an impact on operating expenses.
- There is a concern within the BC credit union system that a newly elected provincial government could incorporate a capital tax into law. This is a tax on members’ equity and increases the operating costs of your Credit Union.
- Accounting changes, such as “International Financial Reporting Standards” (IFRS), create an increase in audit costs. NDCU is also planning for the implementation of more international accounting standards with Basel III.
- An increased focus on risk within our industry requires your Credit Union’s board members to increase their knowledge level. This is very good for the members but does come with a cost.
- Unfortunately, this continuing low interest-rate environment is expected to result in a deficit position in our pension plan. This will have a significant impact on NDCU’s employee benefit costs.
- We have concerns about the ability of our data-processing platform to meet our needs, such as access to an e-mail money transfer product. NDCU’s operating expenses for data processing have also increased over the past few years.

These challenges, when combined with the decline in financial margin due to the low interest-rate environment, create a significant challenge to our capital position.

John Malakoff, Chair

Doug Stoddart, CEO

How about the opportunities in front of us? We are pleased to report that as of December 31, 2012, NCDU's membership included 1,751 young members under the age of 28. This represents 16 per cent of our membership and is the future of the credit union system. They are a great group of members to engage with and learn from.

The year 2012 was designated by the United Nations the "Year of the Co-operative." NCDU's commitment to the community, which is one of the seven international co-operative principles, was \$158,118 this past year. Please review the annual "Community Investment Report" for details of our local investment. One of the benefits of NCDU's past successes is the number of contributions we have made to local community foundations. NCDU has contributed \$435,000 to foundations that now create a legacy for NCDU and a future for our communities.

In closing, we have great employees who work with a strong board. We thank them greatly for the past service and look forward to the future, working together, to serve you—our members. Thank you for being a member of NCDU!

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## 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, 2012, and the consolidated statement of comprehensive income for the year then ended. Readers are cautioned that these condensed financial statements do not include all the statements and disclosures necessary for complete and fair presentation. Complete audited consolidated financial statements for the year ended December 31, 2012, together with the auditor's report thereon, are available at any branch of Nelson & District Credit Union or online at [www.nelsoncu.com](http://www.nelsoncu.com) in the corporate reports section.



Doug Stoddart, CEO



John R. Yowek, CGA, Controller

PEOPLE



COMMUNITY INVESTMENT



INNOVATION



WELLNESS



YOUTH



NCDU'S KEY STRATEGIES

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## Members' Equity



## Assets



as at December 31, 2012

## ASSETS

Cash & cash equivalents  
Investments  
Investments in associates  
Members' loans  
Property and equipment  
Intangible assets  
Investment property  
Other assets

	2012	2011
Cash & cash equivalents	\$ 4,530,056	\$ 3,370,442
Investments	51,985,957	51,543,762
Investments in associates	3,248,198	2,702,288
Members' loans	110,816,868	105,121,978
Property and equipment	1,718,393	1,750,512
Intangible assets	708,399	866,919
Investment property	1,116,793	1,134,498
Other assets	438,047	694,890
	<u>\$ 174,562,711</u>	<u>\$ 167,185,289</u>

## LIABILITIES and MEMBERS' EQUITY

Members' Deposits  
Demand  
Term  
Registered savings plans  
Non-equity shares  
  
Other liabilities  
Deferred income tax liability

Members' Deposits	\$ 106,338,546	\$ 95,477,109
Demand	26,736,649	30,921,812
Term	26,001,916	25,548,544
Registered savings plans	304,744	326,318
Non-equity shares	159,381,855	152,273,783
Other liabilities	980,830	841,948
Deferred income tax liability	249,550	304,700
	<u>160,612,235</u>	<u>153,420,431</u>

Members' Equity  
Members' shares  
Retained earnings  
Accumulated other comprehensive income

Members' Equity	967,977	1,034,183
Members' shares	12,706,740	12,730,675
Retained earnings	275,759	-
Accumulated other comprehensive income	13,950,476	13,764,858
	<u>\$ 174,562,711</u>	<u>\$ 167,185,289</u>

Approved by the Directors:

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended December 31, 2012

	2012	2011
Interest revenue	\$ 6,110,588	\$ 6,322,729
Interest and loan related expenses	1,512,298	1,592,551
Financial margin	4,598,290	4,730,178
Other income	1,621,495	1,693,062
	6,219,785	6,423,240
Operating expenses		
Salaries and employee benefits	3,786,822	3,243,880
Community investment program	158,118	268,931
Distribution to members	38,995	84,646
Other administrative expenses	2,314,935	2,398,958
	6,298,870	5,996,415
Income (loss) before taxes and one-time expenses	\$ ( 79,085)	\$ 426,825
Adjustment to Rossland real estate value	-	218,505
Banking system conversion costs	-	129,639
Current and deferred income taxes (recovery)	( 55,150)	42,288
Net income (loss)	( 23,935)	36,393
Other comprehensive income	275,759	-
Total comprehensive income	\$ 251,824	\$ 36,393

Cumulative Investment  
In Our Communities



Members' Deposits



**Nelson Community Branch**

501 Vernon Street, Nelson  
250.352.7207

Personal & Business Banking  
Wealth Management

**Rossland Community Branch**

2071 Columbia Avenue, Rossland  
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

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