

Nelson & District

CREDIT UNION  *Logically. Locally.*



BE A PART OF SOMETHING DIFFERENT

2015 Annual Report

YEAR IN REVIEW 2015

Nelson & District Credit Union wants members to be proud of the fact that they are "Part of Something Different." Members share a common purpose: a commitment to keeping interest local by banking locally. This pledge ensures a vibrant and resilient community-based financial institution is part of the fabric of each community we serve.

Investing in your Credit Union promotes vitality: every dollar that remains has a multiplier effect. When you borrow and invest with Nelson & District Credit Union, we can continue to help the local economy by cycling money back into your community.

Governed by a volunteer board of directors that is elected by the membership, NDCU is shaped through your ownership and your participation; a member share ensures we all have an equal voice in its future. Your directors represent the membership's collective values, while setting the Credit Union's strategy and direction.

Helping is at the heart of the credit-union movement, and your Credit Union is committed to supporting meaningful causes. The financial support by members provided exceptional programming,



East Shore Random Acts of Co-operation



Kootenay Gut Buster



Hospice Work-a-Thon



NDSC Volunteer Tax Program

infrastructure, events and experiences in our communities as the Community Investment Program distributed \$139,283.

Most are familiar with the saying "the credit-union difference." It was our employees who made that difference when they actively participated as volunteers in the first annual Nelson & District Hospice Society work-a-thon and the Nelson Cares "Coldest Night of the Year."

NDCU embraces investment in long-standing community initiatives that support vibrant cultural programs. Your Credit Union contributes to the success of the Rossland Winter Carnival, thanks to our long-standing relationship with this 118-year-old event.

"Since 1898, the Rossland Winter Carnival has celebrated mountain culture. Having evolved from horse races to racing fat-tire bikes, the camaraderie and community spirit it created has remained," says volunteer Larry Doel. "NDCU has been the Carnival's premier sponsor and a dedicated participant for many years. Always being first to donate, NDCU's contribution provides the catalyst for a successful celebration of sports, culture and heritage."

In the spirit of co-operation, we strive to foster and maintain innovative alliances. Embracing the sixth principle of co-operatives, NDCU looks for many ways to improve our communities through collaboration. In 2015, we worked closely with the Kootenay Co-op in their pursuit to start the Nelson Commons redevelopment project.

"We always knew that in putting together the proposal for our Nelson Commons development, the toughest challenge would be funding," states Nelson Commons Project Manager Russell Precious. "Thankfully, our local credit union has both the mandate and vision to look beyond traditional investment criteria and weigh their decisions as much on social impact and overall benefit to the community. With NDCU onside, it helped stimulate a collaboration of other credit unions and funders that made the whole project a 'go.' It couldn't have happened without their commitment and support."

We continue to support innovative payment and banking solutions so members can make secure electronic transactions wherever they are. In 2015, your Credit Union successfully launched a new banking system with minimal disruption, real-time updates

with Deposit Anywhere™ so you see your deposit in your account immediately, and Interac® e-Transfer to allow you to transfer funds between any financial institution in Canada. And to kick off 2016, we have already rolled out a redesign of our mobile app that is available on the Apple Store and Google Play.

Nelson & District Credit Union is devoted to the future of our organization and our communities by making educational and financial commitments to children and youth.

"The East Shore Alliance Supporting the Early Years (EASEY) is delighted and extremely grateful to have received generous support from the Credit Union for our Natural Playground Project for the Crawford Bay Park," says Ellie Reynolds, EASEY Coordinator. "Thanks to this grant, we are almost at our target to break ground for this overdue initiative and begin building our dream playground in which children can play, learn, thrive and develop. This playground will become a landmark and example to other communities of what is possible for community involvement in creating positive public play spaces."

We thank you for giving thought to where you bank, because where you bank makes a difference. Nelson & District Credit Union is a part of, not apart from, your community and we know that local matters. We are always encouraged by the comments from our members and commitment from our staff, and we are proud to say, "Logically. Locally."

Rossland Hospital Auxilliary

Rossland Ski Pass Winner



REPORT FROM THE CHAIR

Greetings,

From your board's point of view, the past year has been a satisfactory one for NDCU.

I've written before about the ever-increasing regulatory workload that's being imposed on credit unions all across Canada, but with the help of our great staff and management team, we now have this burden under control.

We have a very strong, experienced, and well-balanced board of directors, with specialized knowledge in many important areas, such as real estate, accounting, small business, labour relations, and computer technology. We also have a good range of age groups and a reasonable balance of men and women, which is very important if we are to fairly represent the beliefs and needs of you, the member.

This is one of the huge differences between banks and credit unions: credit unions are primarily in existence to serve our

members' and our communities' needs, not to make money for shareholders who live thousands of miles away.

With that in mind, I urge all of you to be active NDCU "cheerleaders," urging friends and family members to bank local with NDCU, which allows us to grow and prosper and distribute money back into the communities we serve. We think it's important.

This past year, your board has been engaged in the very critical task of finding a replacement for our current CEO, Doug Stoddart, who will be retiring after serving NDCU for 24 years. We're looking for a community-minded "people person" who can engage and relate positively with members and staff, and lead NDCU with vision and inspiration. I'm confident we'll find and recruit that person.

In closing, thanks to all of you for belonging to and supporting your Credit Union, thereby supporting the communities where all of us live. May the coming year be a great one for us all.

REPORT FROM THE CEO

The economy continues to be a challenge for Canadians. Your Credit Union's major revenue stream is interest from loans, which has decreased by \$1.6 million over the past five years due to the race to some of the lowest interest rates in our history. In these past years, I have stated that "we are operating in a low interest-rate environment," with the expectation that interest rates would increase. As I retire, I need to amend this statement: I now believe the low interest-rate environment will be around for a long time, and we must find new ways to deliver services to members.

During this same five-year period, operating expenses have increased by \$346,000 (5.8 per cent). Salaries and benefits represent 57 per cent of operating expenses, and they have increased \$473,000 (15.2 per cent). With revenues decreasing and operating expenses increasing, NDCU has reached a break-even point for profitability.

The credit-union system has new competitors, such as Apple Pay, Samsung Pay, Google Wallet and others. These new competitors are referred to as "fintech companies." Your Credit Union is facing a continual increase in regulatory compliance, and these competitors do not operate under the same regulatory rules. As I said above, "We must find new ways to deliver services to members."

Another challenge we have is an aging membership: we need to attract youth. One of the keys to the future

is technology, and NDCU has upgraded our technology and we are positioned to deliver on our commitment of service to the membership, especially our youth!

A major differentiator between banks, fintechs and your Credit Union is our commitment to the international co-operative principles. One of these principles is "Concern for Community."

Banks and fintech companies are concerned with delivering profits to their shareholders, while NDCU is committed to delivering benefits to the communities we serve.

Your Credit Union can overcome many of the above challenges by growing its asset and membership base. This is where you can really help the Credit Union prosper and continue to provide benefits to our communities for many years to come. I encourage you to buy locally and support your Credit Union.

In closing, a very special thank you to the members, staff and board for the opportunity to be your CEO for the past 24 years. I have appreciated the opportunity to serve the credit-union system on a local, provincial, national and international basis from a small town in the Kootenays. It has been a pleasure working with everyone to deliver financial services to you, the members!

I have appreciated the opportunity to serve the credit union system on a local, provincial, national and international basis from a small town in the Kootenays.



John Edwards, Chair



Doug Stoddart, CEO

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, 2015, 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 disclosures necessary for complete and fair presentation. Complete audited financial statements for the year ended December 31, 2015, together with the auditor's report thereon, are available at any branch of Nelson & District Credit Union or online at www.nelsoncu.com/CorporateReports.



John R. Yowek, CGA, Controller



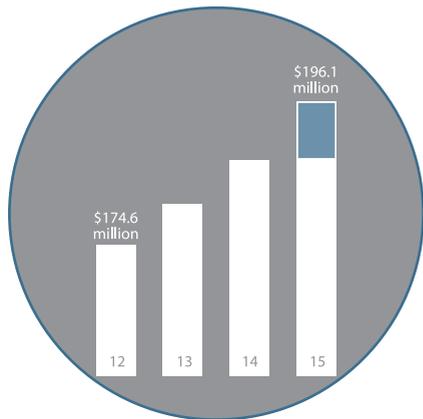
Doug Stoddart, CEO



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31, 2015

Assets



ASSETS

| | 2015 | 2014 |
|---------------------------|-----------------------|-----------------------|
| Cash and cash equivalents | \$ 12,784,762 | \$ 6,458,183 |
| Investments | 40,936,542 | 38,243,759 |
| Investments in associates | 3,891,703 | 3,611,032 |
| Members' loans | 133,604,687 | 135,177,232 |
| Property and equipment | 1,623,874 | 1,639,822 |
| Intangible assets | 835,164 | 745,943 |
| Investment property | 1,065,759 | 1,082,434 |
| Other assets | 1,379,533 | 477,705 |
| | <u>\$ 196,122,024</u> | <u>\$ 187,436,110</u> |

LIABILITIES & MEMBERS' EQUITY

| | | |
|--------------------------|--------------------|--------------------|
| Members' Deposits | | |
| Demand | \$ 123,269,800 | \$ 116,355,084 |
| Terms | 26,402,449 | 26,098,116 |
| Registered savings plans | 29,292,732 | 27,913,512 |
| Non-equity shares | 189,382 | 213,277 |
| | <u>179,154,363</u> | <u>170,579,989</u> |

| | | |
|-------------------------------|-----------------------|-----------------------|
| Other liabilities | 1,201,631 | 1,499,986 |
| Deferred income tax liability | 208,100 | 225,100 |
| | <u>\$ 180,564,094</u> | <u>\$ 172,305,075</u> |

| | | |
|--|-------------------|-------------------|
| Members' Equity | | |
| Members' shares | 856,504 | 879,472 |
| Retained earnings | 14,184,240 | 13,983,377 |
| Accumulated other comprehensive income | 517,186 | 268,186 |
| | <u>15,557,930</u> | <u>15,131,035</u> |

| | | |
|--|-----------------------|-----------------------|
| | <u>\$ 196,122,024</u> | <u>\$ 187,436,110</u> |
|--|-----------------------|-----------------------|

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

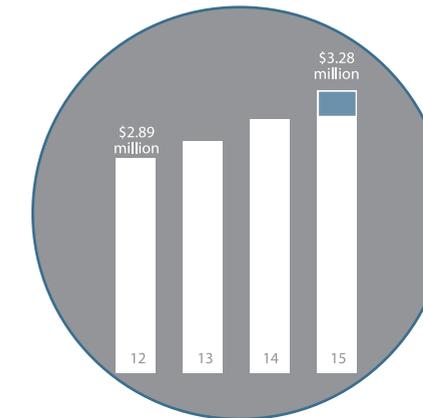
for the year ended December 31, 2015

| | 2015 | 2014 |
|--|---------------------|---------------------|
| Interest revenue | \$ 5,952,992 | \$ 6,148,834 |
| Interest and loan related expenses | 1,323,006 | 1,390,373 |
| Financial margin | <u>4,629,986</u> | <u>4,758,461</u> |
| Other income | 1,660,003 | 2,379,886 |
| | <u>\$ 6,289,989</u> | <u>\$ 7,138,347</u> |
| Operating expenses | | |
| Salaries and employee benefits | \$ 3,549,234 | \$ 3,455,204 |
| Community investment program | 139,283 | 141,875 |
| Distribution to members | 24,419 | 32,615 |
| Other administrative expenses | 2,455,059 | 2,568,788 |
| | <u>6,167,995</u> | <u>6,198,482</u> |
| Income before tax | <u>\$ 121,994</u> | <u>\$ 939,865</u> |
| Current and deferred income tax expense (recovery) | (78,869) | 77,642 |
| Net income | <u>\$ 200,863</u> | <u>\$ 862,223</u> |
| Revaluation of intangible assets (net of tax) | 249,000 | (7,573) |
| Total comprehensive income | <u>\$ 449,863</u> | <u>\$ 854,650</u> |

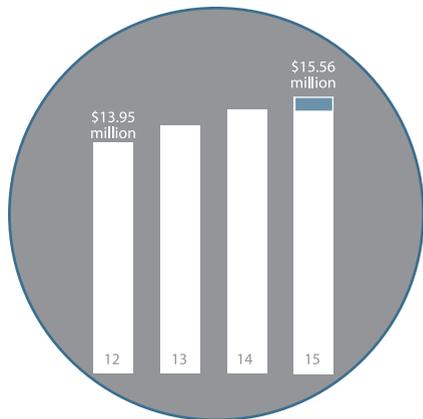
Approved by the Directors: *[Signatures]*

Approved complete consolidated financial statements including notes and Community Investment Program report are available at any branch of NDCU or on our website, www.nelsoncu.com/CorporateReports.

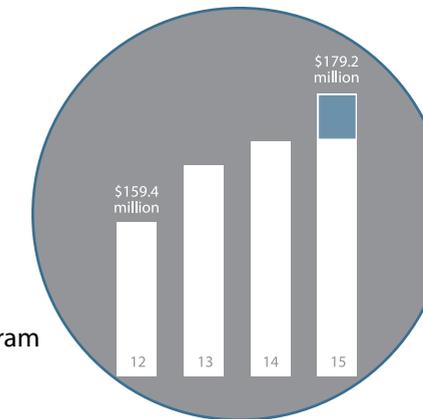
Cumulative Investment
In Our Communities



Members' Equity



Members' Deposits





Nelson Community Branch

501 Vernon Street, Nelson
250.352.7207

Personal & Business Banking
Financial Planning

Rossland Community Branch

2071 Columbia Avenue, Rossland
250.362.7393

Personal & Business Banking
Financial Planning

East Shore Community Branch

16030 Hwy 3A, Crawford Bay
250.227.9221

Personal & Business Banking
Financial Planning

info@nelsoncu.com



>> logically, locally.

Protection For What Matters



kootenayinsurance.ca

Down-to-Earth Financial Planning



nelsoncu.com/MoneyWorks

Design: www.frolixdesign.com Printed in the Kootenays 100% Post Consumer Waste, Elemental Chlorine Free, Acid Free, FSC Certified

100milmortgage.com

nelsoncu.com

zippitydodog.com