

Nelson & District

CREDIT UNION  *Logically. Locally.*



ENRICHING
LIVES
LOCALLY

2016 ANNUAL REPORT

YEAR IN REVIEW 2016

Nelson & District Credit Union has grown from a modest beginning, and we have always believed that investing in our members and our employees is the key to our success. Our mission, “Enriching lives locally,” is our pledge to ensure your Credit Union is keeping its commitment to members and achieving its goals.

To be the financial-services provider of choice in our communities, we will continue to grow to meet the needs of our members and the region we serve. By investing in your Credit Union, you encourage local economic vitality: every dollar that remains in the community has a multiplier effect.

Governed by a volunteer board of directors that is elected by the membership, NDCU is shaped through your ownership and participation; a membership ensures we all have an equal voice in its future. As long as that democracy is important to you, we will be successful.

Enriching lives is a core belief of all credit unions, and your Credit Union will continue to give back to causes that make a difference. The financial support by our members provided exceptional programming,



Kootenay Kids Society Playspace Enhancement



Medley Arts Camp

infrastructure, events and experiences in our communities in 2016 as the Community Investment Program distributed \$79,793.

Most should be familiar with the saying “Credit unions are helping here.” It was our employees and directors who volunteered at a Nelson Leafs member appreciation night, at the Rotary Youth Leadership retreat in Crawford Bay, and at the Royal Canadian Legion holiday lunch for seniors in Rossland.

NDCU is a part of, not apart from, your community, and we recognize the importance of supporting socially conscious initiatives, including our contribution to the success of the Nelson & District Hospice Society. “Nelson & District Credit Union has been a community leader in supporting hospice care,” states Jane DiGiacomo, executive director of the Nelson & District Hospice Society. “This leadership has helped to continue our 35-year history of providing psycho-social supports in local home, hospital and residential care settings. The Credit Union has also been a leader in supporting the annual hospice work-a-thon, not only as a sponsor, but as a wonderful team of volunteers that goes out into our community and performs outdoor service work for

Mission

- Enriching lives locally.



Rotary Youth Leadership at Crawford Bay School

Rossland Winter Carnival

elders and disabled residents. We are so grateful for their involvement in the work of hospice.”

In the spirit of co-operation, we foster and maintain innovative alliances. Embracing the sixth principle of co-operatives, NDCU looks for many ways to improve our communities through collaboration. In 2016, we participated with like-minded co-ops, including Kootenay Insurance Services Ltd., Kootenay Co-op, Upper Columbia Co-op Council and Kootenay Co-op Radio, in a random act of co-operation on Earth Day.

Collectively, we organized a work party to help the Nelson Food Cupboard prepare their garden for summer growing. “It was the time of year when the Food Cupboard garden needed a little love,” says Stephanie Myers of Kootenay Co-op Radio. “We encouraged participants to come prepared to shovel, rake, turn and plant over a lunch hour to ensure a successful garden season for their shelves. The Food Cupboard is seeing a dramatic increase in clients, and by ensuring a productive growing season we felt the shelves could be complemented with locally grown produce.”

We continue to support innovative payment and banking solutions so members can make secure electronic transactions wherever they are. In 2016, your Credit Union launched Interac Flash® on its Member Card® debit card and an eDocument service and account-create tool on MemberDirect® online banking.

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. In 2016, four local youth attended the Youth Excellence Society summer leadership camp as representatives of your Credit Union. Camper Georgia shared this: “The week I spent at The YES Camp was absolutely amazing. We did so many great things and it was so much fun. Thank you for allowing me to take part in this community that we built over the week!”

Thank you for giving thought to where you bank, because choosing to bank locally makes a difference. We are always encouraged by the comments from our members and commitment from our staff, and we are proud to say, “Logically. Locally.”

- The financial-service provider of choice in our communities.

Vision



REPORT FROM THE CHAIR



On behalf of the board, I would like to thank you, our members, for your continued loyalty and engagement in your community Credit Union. With your ongoing support, we remain an important cornerstone in the Rossland, Nelson and East Shore communities that we serve.

The past year brought about significant change to Nelson & District Credit Union. Most notably was the appointment in May of our long-term senior manager of operations, Tom Murray, to the role of chief executive officer. Tom's strong background and knowledge of our internal operations continues to be evident as we work together to transition NDCU into a new era of leadership.

Among the first initiatives under Tom's leadership was working with the entire organization to redevelop your Credit Union's mission, vision, commitment to members and goals. These foundation statements have helped align our employees, management and board. The statements will guide NDCU for years to come, as we work with members to fulfill our mission of "Enriching lives locally."

As you will have noticed, NDCU did not achieve the same level of profitability as in previous years. During 2016,

the board intentionally focused on ensuring a strong integration of Tom into the role of CEO, addressing the gaps of his transition and structuring the organization for future success. Although we did not set a distinct focus on driving profitability in 2016, NDCU still enjoyed significant member deposit and loan growth.

In addition, NDCU continues to collaborate with other credit unions and co-operative partners to find opportunities to share resources, expenses and discover new ways of working together to address the needs of all credit unions and our members. Our insurance and wealth-management subsidiaries continue to perform well and show the effectiveness of working together. This practice will continue to be instrumental in finding new opportunities for growth, controlling our costs and maintaining a strong Credit Union for our members.

In closing, the board would like to thank you once again for your business. By allowing us to manage your financial services, you are participating in a larger, more socially responsible business model and are directly helping NDCU financially support our local community organizations.

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, 2016, 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

Andy Chute,
Chair

REPORT FROM THE CEO

The past year was a year of change for Nelson & District Credit Union. We said farewell to our long-time leader, Doug Stoddart, who left an enduring legacy. Doug mentored many credit-union leaders over the years, including me, your new CEO. I am indebted to Doug for the knowledge he shared.

Financially, 2016 was a difficult year. While our balance sheet remains solid, with 7.9 percent asset growth, good liquidity, strong capital and low delinquency, we were challenged on the income side with reduced margins and increasing costs, resulting in an operating loss. We have begun implementing changes to return NDCU to profitability.

On the positive side, our loan growth was excellent at 15.5 percent. In a year of limited real-estate activity and continued high unemployment across the Kootenays, this was an excellent accomplishment. It reflects the superior level of service our employees provide to our members and the loyalty our membership shows in us.

There have been changes in our members' transaction patterns. In 2017, we will be reviewing our staffing complement and deploying our resources to more effectively serve your needs.

Our collective agreement expired this year, and hard work by both negotiating teams, resulted in a four-year agreement

with our employees that I believe was fair to all sides. A big thank you to everyone who contributed to that successful process.

Our Community Investment Program returned \$80,000 to our communities this year, a level of giving which is in the top 10 per cent of all credit unions as a percentage of assets. We are proud of the level of support we continue to provide to local organizations.

Our subsidiary Kootenay Insurance Services Ltd. finished 2016 with its best year yet and continues to grow. Since the company was established in partnership with two Kootenay credit unions in 2007, the organization has expanded to six branches.

Our financial-planning subsidiary, MoneyWorks, managed to break even in 2016 after a rough start to the year due to the financial markets. MoneyWorks is well-positioned to meet the new regulatory requirements coming in 2017 and is projecting a return to profitability.

Thanks to all of our loyal members for their patronage over the past year. Without you we would not be where we are today.



A handwritten signature in blue ink, appearing to read 'Thomas A. Murray'.

Thomas A. Murray,
Chief Executive Officer

necessary for complete and fair presentation. Complete audited financial statements for the year ended December 31, 2016, together with the auditor's report thereon, are available at any branch of Nelson & District Credit Union or online at www.nelsoncu.com/CorporateReports.

A handwritten signature in blue ink, appearing to read 'John R. Yowek'.

John R. Yowek, CGA, Controller

A handwritten signature in blue ink, appearing to read 'Thomas A. Murray'.

Thomas A. Murray, CEO



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets



Members' Loans



as at December 31, 2016

ASSETS

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

	2016	2015
Cash and cash equivalents	\$ 4,183,976	\$ 12,784,762
Investments	44,058,174	40,936,542
Investments in associates	3,959,873	3,891,703
Members' loans	154,274,319	133,604,687
Property and equipment	1,628,830	1,623,874
Intangible assets	840,558	835,164
Investment property	1,067,741	1,065,759
Other assets	1,649,056	1,379,533
	<u>\$ 211,662,527</u>	<u>\$ 196,122,024</u>

LIABILITIES & MEMBERS' EQUITY

Members' Deposits
Demand
Terms
Registered savings plans
Non-equity shares

Members' Deposits		
Demand	\$ 138,389,189	\$ 123,269,800
Terms	25,327,763	26,402,449
Registered savings plans	31,320,066	29,292,732
Non-equity shares	150,823	189,382
	<u>195,187,841</u>	<u>179,154,363</u>

Other liabilities
Deferred income tax liability

Other liabilities	854,552	1,201,631
Deferred income tax liability	142,000	208,100
	<u>\$ 196,184,393</u>	<u>\$ 180,564,094</u>

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

Members' Equity		
Members' shares	810,438	856,504
Retained earnings	14,204,610	14,184,240
Accumulated other comprehensive income	463,086	517,186
	<u>15,478,134</u>	<u>15,557,930</u>
	<u>\$ 211,662,527</u>	<u>\$ 196,122,024</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

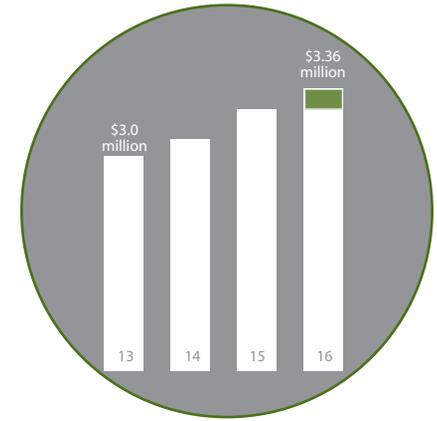
for the year ended December 31, 2016

	2016	2015
Interest revenue	\$ 5,888,982	\$ 5,952,992
Interest and loan related expenses	1,505,586	1,323,006
Financial margin	4,383,396	4,629,986
Other income	1,471,917	1,660,003
	<u>\$ 5,855,313</u>	<u>\$ 6,289,989</u>
Operating expenses		
Salaries and employee benefits	\$ 3,609,853	\$ 3,572,559
Community investment program	79,793	139,283
Distribution to members	21,978	24,419
Other administrative expenses	2,177,519	2,431,734
	<u>5,889,143</u>	<u>6,167,995</u>
Income (loss) before income tax	\$ (33,830)	\$ 121,994
Current and deferred income tax (recovery)	(54,200)	(78,869)
Net income	\$ 20,370	\$ 200,863
Other comprehensive income (loss) net of tax	(54,100)	249,000
Total comprehensive income (loss)	<u>\$ (33,730)</u>	<u>\$ 449,863</u>

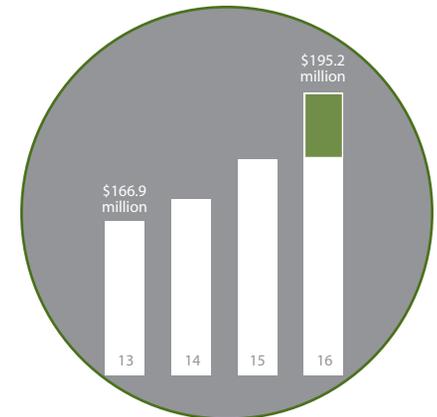
Approved by the Directors: 

Approved complete audited 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' 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.

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Protection For What Matters



kootenayinsurance.ca

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