

Nelson & District

CREDIT UNION  *Logically. Locally.*



CHOOSE
US

2018 ANNUAL REPORT

YEAR IN REVIEW 2018

Nelson & District Credit Union's mission, "Enriching lives locally," is our pledge to ensure we are keeping our commitment to members and achieving our goals. As a member, we share a common goal: a commitment to keeping interest local.

Our vision "to be the financial-services provider of choice in our communities" ensures we will continue to grow to meet the needs of our members. By investing in us, you are assuring good things happen for you, your family and your Credit Union.

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.

Giving back is at the heart of all credit unions, and your Credit Union will continue to give back to causes that make a difference. Our profits directly support your community. Thanks to our members' financial support, the Community Investment Program distributed \$92,801 to provide exceptional programming, infrastructure, events and experiences.

We are a part of, not apart from, your community and we know that local matters. It is our employees and directors who commit their time to volunteer with the Nelson & District Hospice Society work-a-thon, Kalein Centre Festival of Lights, Rossland Winter Carnival, Coldest Night of the Year, Pink Shirt Day Society's anti-bullying campaign, and the Royal Canadian Legion holiday lunch for seniors in Rossland.

NDCU gives a tremendous amount of thought to the initiatives that make a difference, and we recognize the importance of supporting our community with sound financial literacy education. Representatives from your Credit Union are actively involved in presenting curriculum to hundreds of youth each year in local school districts and through community outreach programs. "Research shows increasing rates of financially illiteracy among local youth," states Kelsey Baerg, youth skills coordinator for Nelson at its Best. "Given the region's high housing costs and the prominence of casual, part-time work, many youth feel they will remain 'stuck,' feeling financially insecure and living paycheque to paycheque. Nelson business owners report that local youth lack the basic problem-solving and cash-handling skills required for the

workforce." She adds, "There is an imperative need to empower youth with money-management skills, increasing their employability and giving them the tools and confidence to move strategically towards a financially successful future."

In the spirit of co-operation, we foster education and training opportunities for all our employees. In 2018, your Credit Union undertook Trusted Advisor training for all employees, one of the most significant training programs delivered in our history. Trusted Advisors invest in building and maintaining relationships. They stay in touch with their members, providing them with recommendations for their current and future needs. Looking ahead, we recognize these training opportunities are a huge benefit to our employees and members.

NDCU is devoted to the future of our organization and our communities by making educational and financial commitments to children and youth. In 2018, four local youth attended the Youth Excellence Society summer leadership camp at Cowichan Lake, as representatives of your Credit Union. "I learned how important communication is and how to communicate well," says one camper. "I want to help my local community by being a positive role model to people every day."

Thank you for giving thought to where you bank, because better banking with us makes a difference. We are always encouraged by the commitment from our members and our employees, and we are proud to say, "Logically. Locally."

www.nelsoncu.com

Exploring
strength and unity

The Boards of Directors and senior leaders of Columbia Valley, East Kootenay Community, Grand Forks, Heritage, Kootenay Savings and Nelson & District Credit Unions continue to explore the possibility of building one stronger, united credit union.

Having collaborated on many projects over the years, the six partners are excited to see what we can do even better together. We see opportunities to share resources and expertise across the region to provide enhanced service to members, while improving our long-term sustainability.

Through an in-depth due-diligence process, a comprehensive business case has been built. All six boards of directors consider this business case positive and worth moving to the next stage of the process, applying for consent from the provincial regulator. This phase is a very dynamic process with changing timelines, and we are committed to keeping members updated. Lastly, but critically important, is reaching the milestone of a member vote. In the end, it is you, our members, who will make the final decision on whether a merger is in the best interests of our communities, our employees and members.

For more information and updates, visit www.exploringstrengthandunity.ca.



Rossland Arena Upgrades



SPCA Nelson



Starbelly Support

REPORT FROM THE CHAIR

I am pleased to announce another good year of financial results. The positive interest rate environment has helped the “margin squeeze,” and combined with very careful controls by management and employees, have resulted in a healthy bottom line. Another contributing factor is that our members have been very diligent about paying their loans, such that our delinquency rate and write-offs continue to be very low.

During 2018, the board continued to discuss the Exploring Strength and Unity project. Together, the boards of directors at Columbia Valley, East Kootenay Community, Grand Forks, Heritage, Kootenay Savings, and Nelson & District Credit Unions are exploring the potential benefits of an amalgamation to determine if it is the right choice for their respective operations. In the end, members will ultimately make the final decision for their credit union by way of a membership vote. To this end, NDCU is proposing an amendment to its rules that will allow for electronic voting. Currently the rules only allow voting in-branch or by mail. By the time you read this report, our Credit Union will have held a vote to ask members to approve this change in voting procedure. The intent is to encourage more members to be involved and have their say.

MESSAGE TO MEMBERS

The accompanying condensed consolidated financial statements have been prepared by management from the consolidated statement of financial position of Nelson & District Credit Union as at December 31, 2018, and the consolidated statement of comprehensive income for the year then ended. Readers are cautioned that these condensed financial statements do not include

We continue to support the communities we serve through our Community Investment Program. As our success comes from our communities, we have, for many years now, given back from our available funds after paying expenses, placing funds into reserves, planning for future costs and growth, and paying our taxes.

Our employees are a huge asset to us. They are well trained and coached, and they do a great job of serving our members. They also represent NDCU at a number of significant community projects. Much of this they do quietly and without fanfare, but I want to express my appreciation to them for their efforts.

I am honoured to be working with our board of directors. There is a wide variety of skills within the group and a deep commitment to the success of our Credit Union and the entire credit-union system. Their knowledge and dedication put us in very capable hands.

Finally, I thank you, our members, for your support. Credit unions have been making an impact in this area for decades, which I expect to continue for years to come.

REPORT FROM THE CEO

Thanks to the efforts of your NDCU team, I'm proud to report that we had another strong year financially. Earnings from operations before taxes topped \$1 million for the second straight year, and our assets grew by 6.3 per cent to over \$230 million.

Many factors contributed to our successful year; the most important factor was the effort of the employees. We grew loans by 13 per cent and deposits by 6.5 per cent, which are unprecedented rates of growth. This kept our lending and member-experience teams really busy and they succeeded with flying colours!

We continued to make changes internally by reorganizing management responsibilities to better position ourselves for the changing financial-services landscape. Every NDCU employee completed professional-development training in 2018, with the objective of providing the best possible service and advice to our members. We introduced new tools for members, such as e-Transfer enhancements and DocuSign, which enables you to execute documents without coming into a branch, and we installed new ATMs in all our communities.

Our Community Investment Program returned close to \$100,000 to our communities this year, a level of giving that places NDCU in the top 10 per cent of all credit unions in Canada as a percentage of assets. We are proud of the level of support we continue to provide to our communities.

all the disclosures necessary for complete and fair presentation. Complete audited financial statements for the year ended December 31, 2018, together with the auditor's report thereon, are available at any branch of Nelson & District Credit Union or online at www.nelsoncu.com/CorporateReports.

As a member, you may be aware that the boards of directors and senior leaders of six credit unions in the Boundary, Kootenay, and Columbia Valley region are exploring how an amalgamation could provide better service to you. At this time, the boards of the six credit unions have approved the business case for amalgamation and are working on an application to our regulator. We will have more to share at our AGM!

Our insurance subsidiary, Kootenay Insurance Services Ltd., finished 2018 with its best year yet, and it continues to grow. Since the company was established in partnership with Kootenay Savings and East Kootenay Community Credit Unions, it has grown to seven branches and now has a new credit-union partner in Summerland.

MoneyWorks, our financial-planning subsidiary, finished 2018 with positive growth and income. In partnership with Grand Forks and East Kootenay Credit Unions, MoneyWorks provides wealth-management expertise.

Thank you for your commitment to banking locally. Without the support and dedication of our members, employees, and directors, we would not be where we are today.



Lorne Westnedge,
Chair

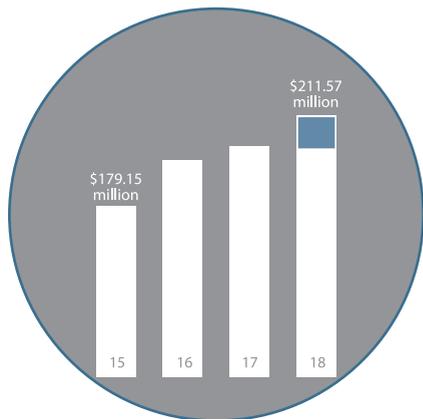


Thomas A. Murray,
Chief Executive Officer

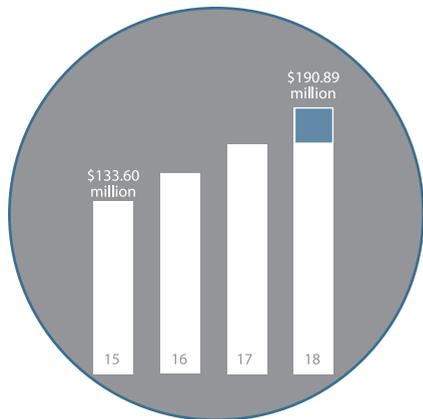


CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Members' Deposits



Members' Loans



as at December 31, 2018

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 9,083,438	\$ 7,978,355
Investments	23,013,029	31,482,806
Investment in associates	3,440,556	3,365,689
Members' loans	190,892,254	169,050,801
Property and equipment	1,749,757	1,641,133
Intangible assets	792,924	975,933
Investment property	1,034,219	1,050,923
Other assets	221,754	1,062,513
	<u>\$ 230,227,931</u>	<u>\$ 216,608,153</u>
LIABILITIES and MEMBERS' EQUITY		
Members' deposits	\$ 211,451,892	\$ 198,519,365
Members' non-equity shares	120,637	141,233
	<u>211,572,531</u>	<u>198,660,598</u>
Other liabilities	772,536	1,019,238
Income taxes payable	90,430	-
Deferred income tax liability	492,000	342,000
	<u>\$ 212,927,497</u>	<u>\$ 200,021,836</u>
Members' Equity		
Members' shares	783,212	795,629
Retained earnings	16,054,136	15,193,620
Accumulated other comprehensive income	463,086	597,068
	<u>17,300,434</u>	<u>16,586,317</u>
	<u>\$ 230,227,931</u>	<u>\$ 216,608,153</u>

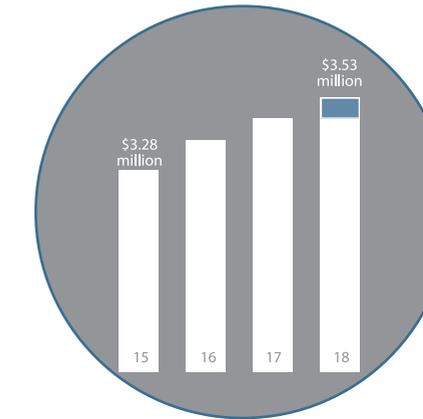
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended December 31, 2018

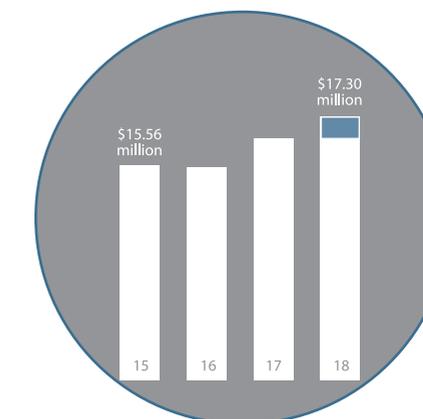
	2018	2017
Interest revenue	\$ 6,842,577	\$ 6,336,780
Interest expense	1,315,664	1,301,142
Provisions for credit losses (recovery)	(29,399)	(2,188)
Financial margin	<u>5,556,312</u>	<u>5,037,826</u>
Other income	1,734,383	1,923,182
	<u>\$ 7,920,695</u>	<u>\$ 6,961,008</u>
Operating expenses		
Salaries and employee benefits	\$ 3,609,824	\$ 3,478,502
Community investment program	92,801	77,964
Distribution to members	32,933	26,237
Other administrative expenses	2,260,480	2,239,295
	<u>5,996,098</u>	<u>5,821,998</u>
Income before income tax	<u>\$ 1,294,597</u>	<u>\$ 1,139,010</u>
Current income tax expense	156,430	-
Deferred income tax	184,000	150,000
Net income	<u>\$ 954,167</u>	<u>\$ 989,010</u>
Other comprehensive income (loss) net of tax	(133,982)	133,982
Total comprehensive income	<u>\$ 820,185</u>	<u>\$ 1,122,992</u>

Approved by the Directors:
 Lauren Barker, First Vice-Chair, Board of Directors 
 Colin McClure, Audit Committee Chair 

Cumulative Investment In Our Communities



Members' Equity



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.



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 - Process Chlorine Free, Acid Free, FSC Certified chlorine free.

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