

Nelson & District

CREDIT UNION  *Logically. Locally.*



HELPING IS AT OUR HEART

2019 ANNUAL REPORT

YEAR IN REVIEW 2019

Helping is at the heart of what we do at Nelson & District Credit Union. We are a part of, not apart from, your community, and we know that banking locally is at the heart of what matters for our members.

Our mission, "Enriching lives locally," 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, your community 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 \$114,833 to various community organizations to help provide exceptional programming, infrastructure, events and experiences.

We are not just your local credit union, we are your neighbours. It is our employees and directors who commit their time to volunteer with the Nelson & District Hospice Society work-a-thon, Nelson Minor Hockey, Rossland Winter Carnival, Coldest Night of the Year, Pink T-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 to ensure exceptional, inclusive programming for adults who need support in Nelson. "With financial support from Nelson & District Credit Union, the Nelson & District Arts Council provided a monthly arts initiative through Bigby Place/Kootenay Society for Community Living," states Erin Shippy, senior residential care worker. "The diverse workshops offered have been extremely valuable to the individuals that we support. The programming promotes creativity, confidence and inclusion, as well as providing the opportunity for new experiences. We are grateful for the support from NDCU."

Our Mixed Slo-Pitch Team



Supporting JL Crowe Grads



Nelson & District Hospice Society Work-a-Thon



Oxygen Arts – Youth Programming



Exploring strength and unity

In the spirit of co-operation, we foster education and training opportunities for our youth members. In 2019, three local youth travelled to Cowichan Lake to attend the Youth Excellence Society summer leadership camp as representatives of your Credit Union. "Every year that I have come to camp I have learned so many new things," says one camper. "This year I have learned how to see the beauty in all aspects of life, rather than focusing on the negative."

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.

A Nelson & District Credit Union Wellness Team member, states, "Our team works hard to encourage and motivate staff to participate in physical activities, be mindful of their mental health, maintain a balanced lifestyle and have fun. We accomplish this through challenges, workshops, guest speakers, a nutrition budget and social events. We feel that our encouragement and initiatives make a positive difference to all staff."

Thank you for giving thought to where you bank and for choosing NDCU, 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 from our heart, "Logically. Locally."

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.

REPORT FROM THE CHAIR



Your Credit Union has had another good year financially, and we are pleased to provide a four percent dividend to our equity shareholders.

It was a year of significant growth, and our employees were kept busy with this growing business.

Management was also tasked with additional work on the Exploring Strength & Unity initiative, which is working toward a potential merger between five of our regional partner credit unions. The Inaugural Board Members for this proposed new regional credit union have been named. The members from NDCU are Laureen Barker, Karina Farr and John Kortram, who has also assumed the additional responsibility of vice-chair for this board. You, the members of NDCU, along with the members of five partner credit unions, will have the final say with an opportunity to vote on the proposed merger.

In 2019, we undertook a major renovation of the main floor workspace in Nelson. The directors are pleased with the result, and the feedback from employees and members has been very positive. If my memory serves me, this is the fourth major reno on this building in the 43 years since we moved here.

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, 2019, and the consolidated statement of comprehensive income for the year then ended. Readers are cautioned that these condensed financial statements do not include

Amid the regulatory and governance issues, strategic planning, and business oversight, we don't lose sight that this is an organization that exists for the benefit of our members. We strive to keep this idea front and centre in our discussions. Our jointly owned subsidiary companies, Kootenay Insurance Services, MoneyWorks and Kootenay Risk Services, were formed so we could provide our members with access to more services. Our Community Investment Program supports community initiatives in all of the communities we operate in, for the benefit of our members and neighbours.

Our board has a full complement of nine members this year, and we have diverse skills, abilities and interests. It has been a privilege to work with this group. Our employees and management have worked well and successfully amid physical changes to the workspace and changes in responsibilities that have required people to update their skills, all while continuing to serve our members.

It is also heartening to see our members take responsibility as NDCU members. We see very little delinquency in our loan portfolio, because our borrowing members make every effort to make their payments on time. They recognize that this organization has been here for them for almost 70 years, and with your continued support, a credit union will continue to operate in this area for many more years.


Lorne Westnedge,
Chair

REPORT FROM THE CEO

Thanks to the efforts of your NDCU team, I am proud to report that we had a strong year. Earnings from operations topped \$1 million for the third consecutive year, and our assets grew by over four per cent to \$239 million. Our strength enabled NDCU to pay dividends to members of four per cent.

Many factors contributed to our success; the most important was the effort of our employees. Loans grew by seven per cent and deposits by 4.3 per cent. This is impressive given our Nelson branch renovation caused disruption.

The renovation was overdue. Our goals were to improve privacy with new office space for member meetings, make better use of our floor space to have more front-facing employees upstairs to serve members, and increase the safety and efficiency of our teller services by installing cash recyclers. While Nelson members and employees patiently worked in a construction zone for half of 2019, the end result was worth it.

On the technology front, we invested in infrastructure. While not as visible, our investments improved security, ensuring member data is safe, and enhanced our business continuity tools.

Our Community Investment Program returned \$114,833 to our communities, a level of giving that places NDCU in the top 10 per cent of all credit unions in Canada as a percentage of assets. Total giving since the inception of the Community

Investment Program exceeds \$3.6 million. We are proud of the level of support we continue to provide.

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 a merger could provide better service to you. At this time, the boards of the six credit unions have approved the business case for a merger and are working on an application to our regulator. We have more to share at our AGM!

Kootenay Insurance Services Ltd., our insurance subsidiary, finished with its best year yet. Since the company was established in partnership with Kootenay Savings, East Kootenay Community and Summerland Credit Unions.

MoneyWorks, our wealth-management subsidiary, also finished with its strongest year. In partnership with Grand Forks and East Kootenay Credit Unions, MoneyWorks provides planning 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.



A handwritten signature in blue ink that reads "Thomas A. Murray".

Thomas A. Murray,
Chief Executive Officer

all the disclosures necessary for complete and fair presentation. Complete audited financial statements for the year ended December 31, 2019, 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 that reads "John R. Yowek".

John R. Yowek, CGA, Controller

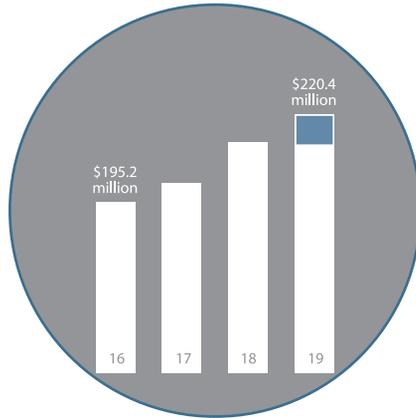
A handwritten signature in blue ink that reads "Thomas A. Murray".

Thomas A. Murray, CEO

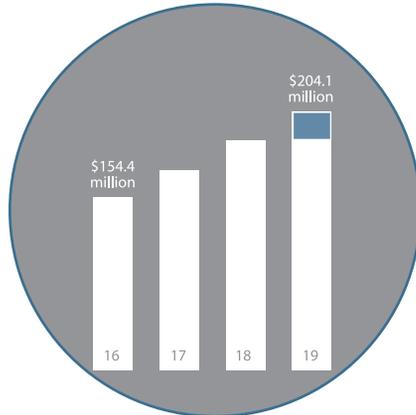


CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Members' Deposits



Members' Loans



as at December 31, 2019

ASSETS

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

	2019	2018
Cash and cash equivalents	\$ 2,944,756	\$ 9,083,438
Investments	24,675,416	23,013,029
Investment in associates	3,246,002	3,440,556
Members' loans	204,127,039	190,892,254
Property and equipment	2,520,140	1,749,757
Intangible assets	636,910	792,924
Investment property	1,017,627	1,034,219
Other assets	545,006	221,754
	<u>\$ 239,712,896</u>	<u>\$ 230,227,931</u>

LIABILITIES and MEMBERS' EQUITY

Members' deposits
Members' non-equity shares

Other liabilities
Income taxes payable
Deferred income tax liability

Members' deposits	\$ 220,354,768	\$ 211,451,892
Members' non-equity shares	96,704	120,637
	<u>220,451,472</u>	<u>211,572,531</u>
Other liabilities	888,839	772,536
Income taxes payable	-	90,430
Deferred income tax liability	451,000	492,000
	<u>\$ 221,791,311</u>	<u>\$ 212,927,497</u>

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

Members' Equity		
Members' shares	772,757	783,212
Retained earnings	17,018,242	16,054,136
Accumulated other comprehensive income	130,586	463,086
	<u>17,921,585</u>	<u>17,300,434</u>
	<u>\$ 239,712,896</u>	<u>\$ 230,227,931</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended December 31, 2019

	2019	2018
Interest revenue	\$ 7,579,854	\$ 6,842,577
Interest expense	1,626,288	1,315,664
Provisions for credit losses (recovery)	43,313	(29,399)
Financial margin	<u>5,910,253</u>	<u>5,556,312</u>
Other income	1,627,747	1,734,383
	<u>\$ 7,538,000</u>	<u>\$ 7,290,695</u>
Operating expenses		
Salaries and employee benefits	\$ 3,744,045	\$ 3,609,824
Community investment program	114,833	92,801
Distribution to members	31,352	32,933
Other administrative expenses	2,585,774	2,260,480
	<u>6,476,004</u>	<u>5,996,098</u>
Income before income tax	<u>\$ 1,061,996</u>	<u>\$ 1,294,597</u>
Current income tax expense	138,890	156,430
Deferred income tax (recovery)	(41,000)	184,000
Net income	<u>\$ 964,106</u>	<u>\$ 954,167</u>
Other comprehensive income (loss) net of tax	<u>(332,500)</u>	<u>(133,982)</u>
Total comprehensive income	<u>\$ 631,606</u>	<u>\$ 820,185</u>

Approved by the Directors:

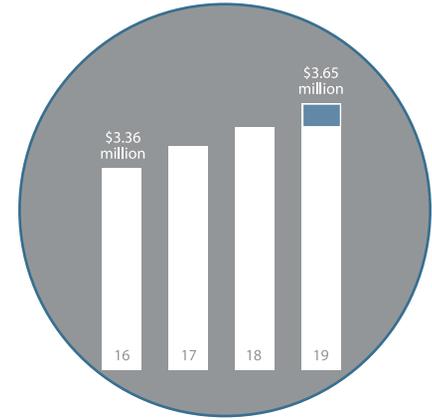
Lorne Westnedge, Chair, Board of Directors



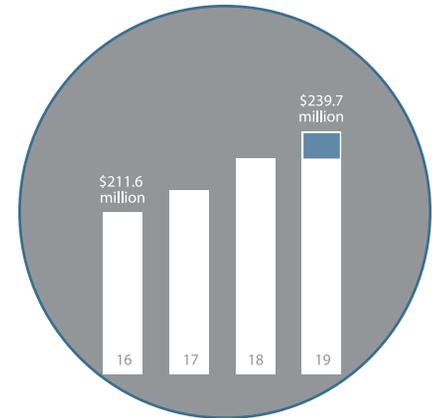
Colin McClure, Audit Committee Chair



Cumulative Investment
In Our Communities



Assets





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

Down-to-Earth Financial Planning



nelsoncu.com/MoneyWorks

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