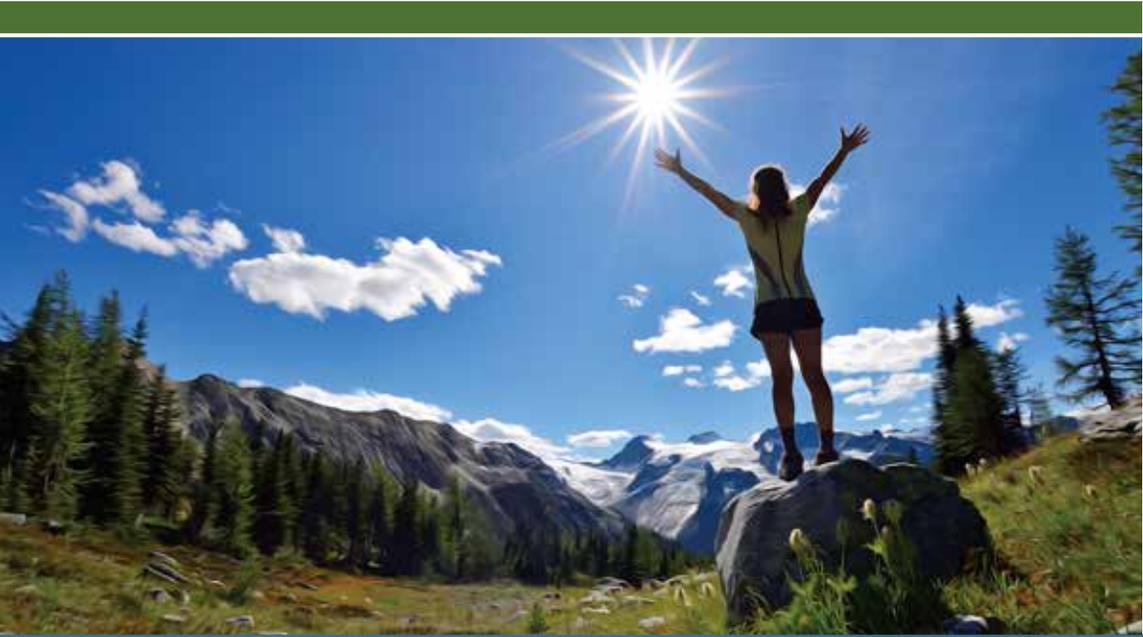


Nelson & District

CREDIT UNION  *Logically. Locally.*



EMBRACE LOCAL

2020 ANNUAL REPORT

YEAR IN REVIEW 2020

As a Credit Union and a community, we encourage embracing local. These days the Nelson & District Credit Union family sees the need to support members, local businesses and communities to ensure they thrive during these unusual times.

During an unprecedented year, our guiding principles and “Commitment to Members” ensured we met the unique needs of our members and communities. By investing in us, you are assuring your Credit Union is providing a thoughtful approach to you, your family and your community.

Governed by a volunteer board of directors elected by the membership, NDCU is shaped through your ownership and participation; a membership ensures we all have an equal voice.

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. Thanks to our members’ support, the Community Investment Program distributed \$109,731 to community organizations to help provide exceptional programming, infrastructure, and virtual events and experiences.

In the spirit of co-operation, our concern for community directs many of our decisions. NDCU made significant investment to local Hospital Foundations. Lisa Pasin, director of development at the Kootenay Boundary Regional Hospital Health Foundation was grateful for NDCU’s donation. “Thank you for being a part of our virtual Light-Up the Hospitals Pledge Day event,” says Pasin. “Pledge Day is the largest single fundraising day of the year for Hospital Foundations throughout the Kootenay-Boundary. This year was somewhat different due to the Covid-19 pandemic, but our communities rose to the challenge and provided their support virtually and safely, which made Pledge Day a success. Thank you for your donation.”

We are not just your local credit union, we are your neighbours. It is our employees and directors who commit their time to personally volunteer with Nelson Minor Hockey, Osprey Community Foundation, Upper Columbia Co-op Council, Nelson Rotary Club and regional first responders.

Shop. Eat. Stay. Bank. “Embrace Local” was a 2020 initiative meant to highlight, for our members, the benefit of shopping local and their

Supporting Nelson Food Security



Balfour & District | Business & Historic Association



Embracing Local in Rossland



KBRH Foundation Pledge Day



Exploring strength and unity

fellow member small businesses. We encouraged our small business members to post an Embrace Local decal on their storefront windows, work vehicles or wherever they felt NDCU, and community members could see it.

“We understand that many of our members are facing challenging times,” states Commercial Services Officer Brenda Jones. “Members helping members and community helping community is the best way our Credit Union can help keep local businesses viable. NDCU sees it as a great opportunity to ensure we are doing our best to achieve our mission statement, Enriching Lives Locally.”

Your Credit Union has a dedicated team that addresses the importance of a balanced approach to workplace wellness, which was particularly poignant in 2020.

“Our team works hard to encourage and motivate all employees to participate in physical activities, be mindful of their mental health, maintain a balanced lifestyle and have fun,” states a member of our NDCU wellness team. “We accomplish this through challenges, workshops, guest speakers, a nutrition budget and virtual social events. We feel that our encouragement and initiatives make a positive difference to employees.”

Thank you for “Embracing Local.” Banking local 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.”

As we move through 2021, the boards of directors and senior leaders of Columbia Valley, East Kootenay Community, Grand Forks, Heritage, Kootenay Savings and Nelson & District Credit Unions continue working through the detailed process of examining a potential merger. Unsurprisingly, the events of 2020 interrupted our original timelines. When the pandemic first became a reality, we temporarily put our meetings on hold. Our goals quickly became the health and safety of our employees, members and communities while continuing to provide banking services.

Throughout the process we maintained strong communication and continue to share pandemic response information between our respective operations.

As the year progressed, our credit union became very familiar and comfortable operating under these altered conditions, and in September, we resumed the merger conversation with our peers through virtual meetings. We even collaborated on a region wide, online, shop local effort. (visit www.SupportLocalBC.com to learn more).

Despite the interruption, we all remain committed to the process and principles in place and continue to explore the potential of merging our six operations. Should we deem it of benefit to our employees, members and our communities, we will take the next appropriate steps to bring that important information to you, the members. We will be active in our communication, and the final decision will rest on a member vote.

The process is dynamic, and the best way to learn more and stay up-to-date is to visit www.exploringstrengthandunity.ca.

REPORT FROM THE CHAIR



The year 2020 was unlike any other in our memory, and I am sure we all have stories to tell about the impact Covid-19 has had, and continues to have, on our families, friends, and communities. The word that comes to my mind for this past year is “pivot,” as your Credit Union had to adapt and make changes to continue providing safe and effective financial services to our members. In mid-March, we changed our operations, had many of our employees working from home, and we learned one of many new acronyms, including “PPE.”

All of our employees did an amazing job of implementing new processes and coping with this change. You, our members, also provided complete cooperation with these operational adjustments.

The board members also had to adjust. After February, there were no more in-person board or committee meetings. We had to learn new technologies, minimize time in our branches and transact our business while learning online etiquette. For the most part, that worked out well. Board meetings did not become much shorter, but I think we achieved greater efficiency.

With concern for our employees and members, the board had a hard look at a number of things. Our in-branch hours were reduced; our East Shore branch has remained closed to members, with transactions happening “through the door”; and members adapted to remote services.

We redrafted our 2020 budget projections. Although the numbers changed, we ended up with a good financial result at the end of the year. Our affiliated companies, MoneyWorks and Kootenay Insurance Services Ltd., have also contributed to our success.

The proposal for potentially merging six regional credit unions was temporarily put on hold from March until September but is still proceeding. The business case has been submitted to our regulator, the British Columbia Financial Services Authority. We will be active in our communication to members, and the final decision will rest on a member vote.

It has been a privilege for me to chair this experienced, effective and engaging board, and to work with our management team and all employees at Nelson & District Credit Union during these unprecedented times. Thanks to all for their hard work and to our membership for their continuing support.

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, 2020, and the consolidated statement of comprehensive income for the year then ended. Readers are cautioned that these condensed financial statements do not include

Lorne Westnedge,
Chair

REPORT FROM THE CEO

The year 2020 was one of change and learning, to say the least! When the pandemic hit, we made changes to our operations that we thought might last six weeks; little did we realize that a year later we would still be living it. Our responses to the pandemic were guided by two principles for our members and employees: physical safety and financial security.

Our employees have been exemplary through this by patiently, and exhaustively, working through these changes while continuing to provide the exceptional service you know. To reduce transmission, we adhered to our physical-safety principles with the following measures:

- Reduced branch hours
- Physical distancing
- Plexiglass for in-person transactions
- Working from home
- Enhanced sanitization
- Masks in our branches

Based on the principle of financial security, we delivered programs to all our members, including the Canada Emergency Business Account (CEBA), the Embrace Local initiative and deferrals of loan payments to any member who enquired. Employees also reached out to members to see if they needed support. Financial security also meant no employee was laid off or had their income reduced.

I have been impressed and very grateful for the patience our members have shown. We are looking forward to the

relaxation of restrictions and moving back towards what we fondly remember as the “old normal.”

While we were concerned about our liquidity and financial position when the pandemic started, I am pleased to report that we came through this year with a strong financial performance. Members continued to trust us with their deposits and financial services, as assets grew 17 per cent to \$281 million, and net earnings were approximately \$952,000.

Our Community Investment Program returned \$109,000 to our communities. Because many of the events we typically support did not take place, we were pleased to support other worthy causes. We are proud of the level of support we continue to provide to our communities.

Our subsidiaries—KIS Ltd. general insurance and MoneyWorks wealth management—also had strong years, a testament to the strength of the cooperative system, our members and efforts to shop locally.

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. It is a privilege for me to work with all of you.



A handwritten signature in black ink, appearing to read "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, 2020, 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 black ink, appearing to read "John R. Yowek".

John R. Yowek, CGA, Controller

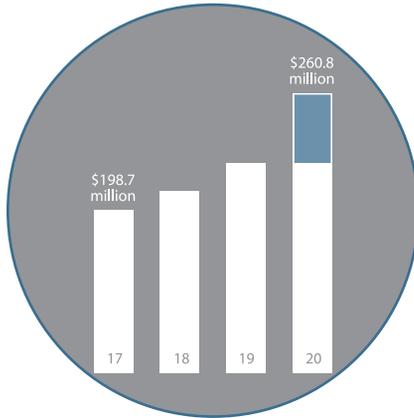
A handwritten signature in black ink, appearing to read "Thomas A. Murray".

Thomas A. Murray, CEO

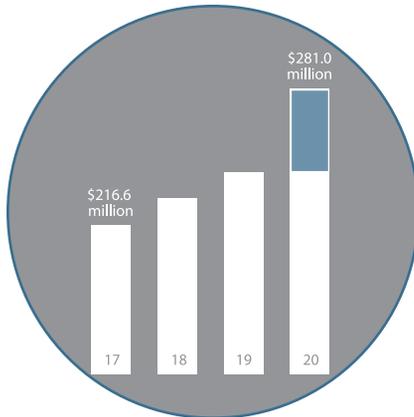


CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Members' Deposits



Assets



as at December 31, 2020

ASSETS

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

	2020	2019
Cash and cash equivalents	\$ 33,313,161	\$ 2,944,756
Investments	38,677,743	24,675,416
Investment in associates	3,406,772	3,246,002
Members' loans	201,670,909	204,127,039
Property and equipment	2,267,294	2,520,140
Intangible assets	506,755	636,910
Investment property	992,706	1,017,627
Other assets	170,134	545,006
	<u>\$ 281,005,474</u>	<u>\$ 239,712,896</u>

LIABILITIES and MEMBERS' EQUITY

Members' deposits
Members' non-equity shares

Other liabilities
Income taxes payable
Deferred income tax liability

Members' deposits	\$ 260,725,742	\$ 220,354,768
Members' non-equity shares	83,852	96,704
	<u>260,809,594</u>	<u>220,451,472</u>
Other liabilities	912,854	888,839
Income taxes payable	2,148	-
Deferred income tax liability	400,000	451,000
	<u>\$ 262,124,596</u>	<u>\$ 221,791,311</u>

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

Members' Equity		
Members' shares	779,376	772,757
Retained earnings	17,970,916	17,018,242
Accumulated other comprehensive income	130,586	130,586
	<u>18,880,878</u>	<u>17,921,585</u>
	<u>\$ 281,005,474</u>	<u>\$ 239,712,896</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended December 31, 2020

	2020	2019
Interest revenue	\$ 7,536,686	\$ 7,579,854
Interest expense	1,701,587	1,626,288
Provisions for credit losses	244,017	43,313
Financial margin	5,591,082	5,910,253
Other income	1,586,765	1,627,747
	<u>\$ 7,177,847</u>	<u>\$ 7,538,000</u>
Operating expenses		
Salaries and employee benefits	\$ 3,677,803	\$ 3,744,045
Community investment program	109,731	114,833
Distribution to members	31,605	31,352
Other administrative expenses	2,264,486	2,585,774
	6,083,625	6,476,004
Income before income tax	<u>\$ 1,094,222</u>	<u>\$ 1,061,996</u>
Current income tax expense	192,548	138,890
Deferred income tax (recovery)	(51,000)	(41,000)
Net income	<u>\$ 952,674</u>	<u>\$ 964,106</u>
Other comprehensive income (loss) net of tax	-	(332,500)
Total comprehensive income	<u>\$ 952,674</u>	<u>\$ 631,606</u>

Approved by the Directors:

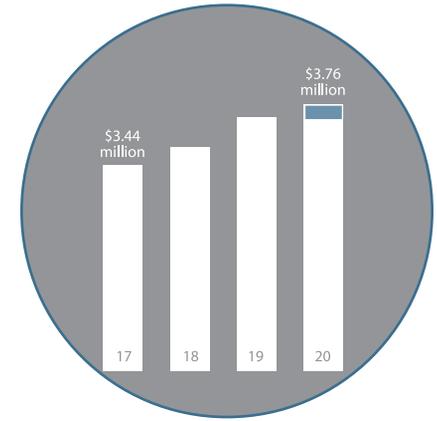
Lorne Westnedge, Chair, Board of Directors



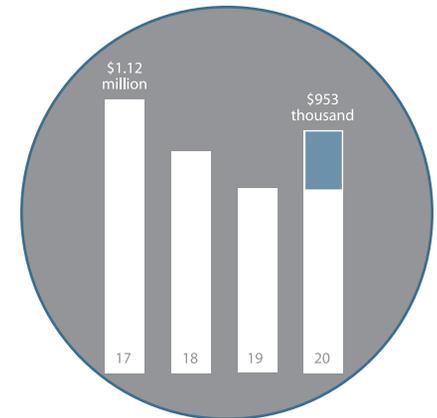
Colin McClure, Audit Committee Chair



Cumulative Investment
In Our Communities



Comprehensive Income





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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