



**Bulkley Valley  
CREDIT UNION**

*Change Ahead.*

# annual report 2016



## notice of annual general meeting

The 75<sup>th</sup> Annual General Meeting of Bulkley Valley Credit Union will be held on **Monday, April 24, 2017 at 7:00 p.m.** (Registration begins at 6:45 p.m.)

**Prestige Hudson Bay Lodge**  
- Ferguson Room Highway 16, Smithers, BC

### Director Elections for 2017

Nominations for directors of Bulkley Valley Credit Union closed on February 18, 2017. The Nominations Committee received one nomination from the Hazelton representation region and two nominations from the Smithers representation region. All three of the nominations were present incumbents, and all were elected by acclamation for three-year terms.

They are:

Mrs. Wendy Hunt, Hazelton representation region  
Mr. Tom Havard, Smithers representation region  
Mr. Dean Daly, Smithers representation region

## agenda

1. Call to Order
2. Ascertainment of quorum
3. Appointment of Recording Secretary & Parliamentarian
4. Adoption of Agenda
5. Approval of Minutes for April 25, 2016 Annual General Meeting
6. Business Arising out of Minutes
7. Report of the Directors
8. Report of Management
9. Presentation of Financial Statements
10. Report of the Auditor
11. Approval of Auditor's Report
12. Announcement of Election Results
13. Appointment of Auditor
14. Unfinished Business
15. Good & Welfare
16. Adjournment

# board of directors & ceo report

**The economic futures of our local communities continue to be uncertain as we enter 2017. This is due in part to the pending re-negotiation of the Softwood Lumber Agreement with the US as well as the continued drop in prices for commodities' on the global marketplace.**

Our local lumber mills had relatively strong years in 2016 without any agreement in place. This could change due to the ongoing devastation caused by the pine beetle that impacts the supply for the industry. World trade agreements between all countries across the globe are currently undergoing major changes and this will create more uncertainty going forward rather than less. Finally, in Canada, our political leaders are trying to wrestle with creating the right set of policies that will help tame the record high real estate prices in select geographic pockets across Canada. The difficulties lie in having these policies work right across the country where soaring high prices do not exist, such as all across northern BC.

Bulkley Valley Credit Union (BVCU) had another strong year financially, despite global and local uncertainties. Bulkley Valley Credit Union is committed to supporting and providing advice to our members in order to help navigate the ebbs and flows of economic change. During 2016, we saw residential mortgages grow over 10% from the previous year as we found ways to help members either purchase their first home or upgrade or downsize from an existing home. We also saw personal loans and personal lines of credit usage increase 5% during the year. As small and medium sized businesses are primary drivers of employment throughout our local communities, we were proud to support these members and saw our total commercial loans increase 8.5% during 2016.

We saw good growth in our deposit base that helped fund our higher loan growth. During 2016, total deposits grew over 4% with the majority of this growth taking place in demand accounts, such as Chequing, Masterplan and Maximizer accounts. This is a clear indicator that the majority of our members use their Credit Union as their primary financial institution. We continue to provide a wide range of other investment products such as Term Deposits, TFSAs, RRSPs, RRRFs, RSDPs, and RESPs that also grew 3.75% overall and provide our members with a better return on their savings as the current low interest rate environment continues.

klaus  
mueller

*board chair*



w.d (dave)  
stene

*chief executive  
officer*

As mentioned, the low interest rate environment continued for all of 2016. Overall, our net income prior to dividends and taxes was \$1.8 million in 2016, which was 20% lower than 2015 due to a squeezing financial margin and increased expenses incurred in preparation of the upcoming banking system conversion. These financial results still allowed us to contribute over \$205,000 in community donations, sponsorships and grants to over 250 local groups and organizations. In addition, the Board of Directors approved distributing over \$488,000 in patronage payments to the membership in those highly anticipated green envelopes again this spring. This is how a local financial cooperative should operate if it is truly owned by the membership.

We saw strong financial years for both of our subsidiary operations, Bulkley Valley Financial Services (BVFS), our wealth management subsidiary, and Bulkley Valley Insurance Services (BVIS), our general insurance subsidiary. Both of these subsidiaries went through a number of changes in 2016. BVFS changed its investment dealer relationship from HollisWealth to Qtrade and BVIS geared up for a change in their broker management system. We were very pleased with how the clients of BVFS responded to receiving written notification of this transition. We are hopeful that our BVIS clients will also respond favorably to the system changes that we are making to ensure we can continue to serve them well for many years to come.

We also saw a number of changes to the Credit Union operation during 2016. As announced in last year's annual report, BVCU is undertaking a banking system conversion. This conversion is necessary to allow us to keep pace with the rapidly changing world of technology and to offer enhanced remote access products that our members are now demanding. The conversion is scheduled for a weekend in mid-March 2017. We at BVCU are working hard to keep our membership well informed of any changes and are committed to minimizing any possible negative member impacts. During 2016, we saw our long-standing Manager Lending Services, Max Starr, retire after 23 years of service. We were very fortunate to find Carlee Morsund, a qualified candidate who grew up in the Bulkley Valley. We are very excited about her commitment to providing a high level of

service to our business communities. Our long-standing director for the Houston region, Ken Thomson, stepped down and his son, Kyle Thomson, a local businessman, was elected to take his place. Both the organization and the Board of Directors are working through a systematic succession plan that will ensure we continue to maintain our strong level of leadership going forward.

Bulkley Valley Credit Union is positioned very well to meet whatever changes and challenges come up in future years. Our capital position, which is over 22%, is very strong and is far in excess of the legislated amount of 8%. This position provides confidence and will ensure success in both good and bad economic times. In addition, we have a solid liquidity position that most importantly provides us with the necessary funds to meet the member's loan demands. It also allows the Credit Union to reinvest in the operation to provide additional new products and services going forward. The organization is led by an engaged Board of Directors that is ensuring that the organization continues to strive to achieve its vision of "Supporting you locally wherever YOU are". Finally, this strong financial position was only established because of the continued patronage of the membership. Bulkley Valley Credit Union staff, management, and directors understand that their most important commitment every day is to ensure our members receive the high level of personal service that they expect and deserve; and that our products and services continue to meet their individual financial needs. This commitment gets even more important when the organization and our local communities are going through the changes that are taking place today. We are very confident that we are positioned well to take on this change heading into 2017. We will be reaching out to the membership during the year to find out if we are meeting our goal of providing a high level of service. As always, we invite members to contact us directly with any concerns because they are the engaged owners of the Credit Union.

Change appears to be the new norm throughout the financial institution industry. We look forward to another successful year in 2017, while implementing productive and valued changes to your Financial Cooperative.

# report of independent auditors on the summary of consolidated financial statements

## To the Members of the Bulkley Valley Credit Union

The accompanying summary consolidated financial statements as at December 31, 2016, which comprise the summary consolidated statement of financial position, summary consolidated statement of comprehensive income, and the summary of consolidated statement of cash flow for the year then ended are derived from the audited consolidated financial statements of Bulkley Valley Credit Union for the year ended December 31, 2016. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated February 22, 2017, which have been prepared in accordance with International Financial Reporting Standards.

The summary consolidated financial statements prepared from the consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards, applied in the preparation of the audited consolidated financial statements of Bulkley Valley Credit Union. Reading the summary consolidated financial statements therefore is not a substitute for reading the audited consolidated financial statements of the Bulkley Valley Credit Union.

### Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary consolidated financial statements from the consolidated statement of financial position, consolidated statement of comprehensive income and the consolidated statement of cash flow on the basis of their established criteria as described in Note 1.

### Auditors' Responsibility

Our responsibility is to express an opinion on the summary consolidated financial statements prepared from the consolidated statement of financial position, consolidated statement of comprehensive income and the consolidated statement of cash flow based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, "Engagements to Report on Summary Financial Statements."

### Opinion

In our opinion, the summary consolidated statement of financial position, summary consolidated statement of comprehensive income, summary consolidated statement of cash flow derived from the audited consolidated financial statements of Bulkley Valley Credit Union for the year ended December 31, 2016 are consistent, in all material respects, with those consolidated financial statements.

*Edmison Mehr Chartered Professional Accountants  
– Smithers BC, February 22, 2017*

## summary consolidated statement of financial position

As at December 31, 2016

assets	Dec 31, 2016	Dec 31, 2015
Cash & Term Deposits	66,364,614	\$76,161,912
Loans to Members	256,633,338	234,868,162
Investments & Other Assets	3,498,942	4,002,250
Property & equipment (net)	2,916,181	3,021,737
Intangibles (net)	3,185,418	2,085,685
	<b>\$332,598,493</b>	<b>\$320,139,746</b>
<b>liabilities</b>		
Deposits	304,385,563	\$292,878,415
Payables & Accruals	2,405,473	1,761,531
Total Liabilities	<b>306,791,036</b>	<b>294,639,946</b>
<b>members' equity</b>		
Equity Shares	1,540,187	1,596,520
Retained Earnings	23,498,868	22,453,770
Accumulated Comprehensive Income	768,402	1,449,510
Total Members' Equity	<b>25,807,457</b>	<b>25,499,800</b>
	<b>\$332,598,493</b>	<b>\$320,139,746</b>

Approved by the Directors:

**Klaus Mueller** director *Klaus Mueller*

**Patty Peterson** director *P Peterson*

## summary consolidated statement of comprehensive income

Year Ended December 31, 2016

	2016	2015
Interest Income	\$11,037,105	\$11,005,212
Interest Expense	2,365,384	2,524,739
Financial Margin	<b>8,671,721</b>	<b>8,480,473</b>
Other Income	3,853,418	3,852,646
Operating Margin	<b>12,525,139</b>	<b>12,333,119</b>
Operating Expenses	10,681,010	10,028,580
Earnings from Operations	<b>1,844,129</b>	<b>2,304,539</b>
Distributions to Members	529,028	641,464
Income Taxes	270,003	340,732
Net Earnings	<b>1,045,098</b>	<b>1,322,343</b>
Comprehensive Income (Loss) for the year, net of tax	<b>(681,108)</b>	<b>316,481</b>
Comprehensive Income	<b>363,990</b>	<b>\$1,638,824</b>
Retained Earnings & Accumulated Comprehensive Income, Beginning of Year	23,903,279	22,264,456
Retained Earnings & Accumulated Comprehensive Income, End of Year	<b>24,267,269</b>	<b>\$23,903,280</b>

## summary consolidated statement of cash flows

Year Ended December 31, 2016

	2016	2015
Cash flows provided by (used in)		
Operating activities	\$(19,400,597)	\$(3,800,848)
Financing activities	11,378,936	9,748,601
Investing activities	(1,899,226)	(6,096,927)
Net increase in cash and equivalents	<b>(9,920,887)</b>	<b>(149,174)</b>
Cash & equivalents, beginning of year	12,930,817	13,079,991
Cash & equivalents, end of year	<b>\$3,009,930</b>	<b>\$12,930,817</b>

### Note 1:

These summary consolidated financial statements are prepared in accordance with criteria developed by management. Under management's established criteria, management discloses summaries from the consolidated statement of financial position, consolidated statement of comprehensive income and the consolidated statement of cash flow. These summary financial statements are derived from the audited consolidated financial statements of the Bulkley Valley Credit Union for the year ended December 31, 2016, which have been prepared in accordance with International Financial Reporting Standards.

**\*\*A full set of financial statements will be available  
at your local branch at no charge.\*\***



# 2016 board of directors



Denise Fisher



Dean Daly\*



Wendy Hunt\*



Kyle Thomson



Klaus Mueller  
Chair



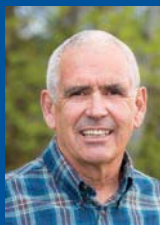
Patty Peterson  
Vice Chair



Randy Brandvold



Richard Vossen  
Secretary



Tom Havard\*

*\*Terms expire at the  
2017 Annual General Meeting.*

- 1. Smithers Branch:** The Bulkley Valley Cross Country Ski Club received a \$5000 donation to assist with race events as well as training for events throughout the province during the season.
- 2. The Hazeltons' Branch:** The Upper Skeena Recreation Centre received a major funding boost last fall when the Canadian Government partnered with the BC Government to commit nearly \$12 Million. Bulkley Valley Credit Union is a proud partner in this project, committing \$100,000 over five years starting in 2013. Planning work will, hopefully, take us to ground breaking in late March or early April 2017. Completion date is projected to be late summer 2018.
- 3. Lakes District Branch:** The Burns Lake Mountain Bike Association received a \$7,800 donation to construct a bike shelter at the Kager Lake Recreation site. The shelter will be used for BLMBA events as well as by campers, hikers and other trail users.
- 4. Houston and District Branch:** Bulkley Valley Credit Union's Economic Development Committee donated \$10,000 to the Upper Bulkley River Stream Keepers program. The Upper Bulkley River is considered one of the most endangered watersheds in the larger Skeena watershed system, and the program's volunteers continue to work on stewardship activities aimed at creating a healthier watershed.



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