



The Value of Cooperation

2011

2011 Annual Report

A credit union is a financial cooperative organized by people who share a common bond. It is owned and operated by its members. The members pool their financial assets to provide themselves funds for loans and a wide variety of other financial services.



Excellence in Governance

Grand Forks Credit Union (GFCU) is a financial cooperative governed by a democratically elected, independent, nine person Board of Directors representing and accountable to our member-owners. Our Board provides direction on vision, strategic goals, and policy and is also concerned with protecting and enhancing GFCU's assets and evaluating the performance and progress of our Credit Union. Our Board hires and provides input to our Chief Executive Officer.



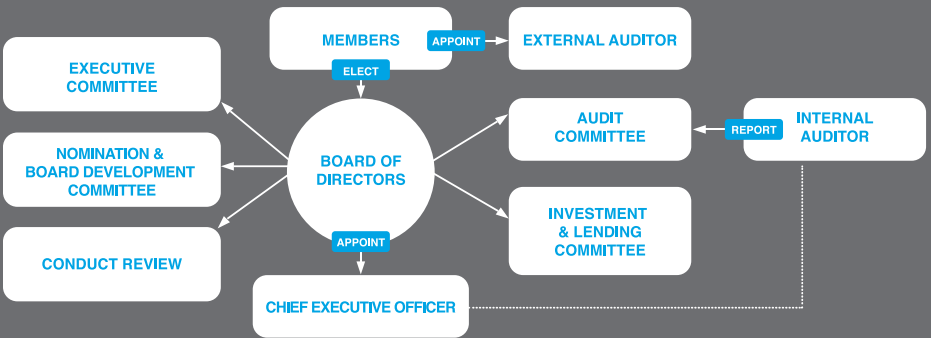
Board (left to right) Peter Perepelkin, Jennifer Wetmore, Roland Russell, Kelly Thomas (CEO), Michael Strukoff (Chair), Theresa Dergousoff, Suzanne Schroeder, Bill Strookoff, Ken McKinnon. Missing is Pat Horkoff.

Strategic Goals

- 1.** We are focused on building strong, durable and sustainable relationships with our members. We will achieve this with talented staff, efficient operations, high quality partners and a commitment to community.
- 2.** Our members enjoy dealing with us, trust us, respect our advice and come to us first. They participate in the ongoing success of their Credit Union and the community – which are inextricably linked – by supporting our services and referring us to others.
- 3.** Our staff will be engaged, competent and knowledgeable. They will embrace a culture of continuous improvement and understand the goals and objectives of the Credit Union. Our staff is proud of, and will advocate for, the Credit Union.
- 4.** We plan to generate financial results that are sufficient to fund and enhance the services we provide.

2011 Accomplishments

The demands of directorship are many and require a serious commitment from the incumbents. Our GFCU Board is actively involved, not only providing oversight of our Credit Union operations, but also planning for the future. Our Directors commit time to CU system activities at the world, national, provincial, regional, and local level.



In 2011, our Board of Directors, together:

- Attended 41 Board and Committee meetings
- Completed 156 hours of training through the Credit Union Director Achievement Program
- Attended regional, provincial, and national conferences and meetings
- Attended 2 Strategic Planning sessions with the Management Team

Vision

We will be the first choice for financial services for residents of the Boundary Region. We will be seen and acknowledged as a regional asset and builder of our communities.



Message from the CEO and Board Chair

2011 was another significantly successful year for Grand Forks Credit Union.

Despite continuing economic challenges in the Boundary, strong financial performance provided the Board of Directors with the opportunity to return more than \$800,000 to members in the form of patronage dividends. This translated into 8.75% bonus on interest paid on deposit accounts and registered plans and rebate on interest paid on loans, mortgages, and lines-of-credit. This value of profit sharing with our member-owners is a key operating principle for Credit Unions and one of the reasons why many of our members choose to do business with us.

More than \$1 million was credited to members' equity. Earnings, before taxes and dividends, were just under \$2 million.

Low delinquency remained a strong point with annual averages for our total lending portfolio at less than one half of one percent. This is an outstanding achievement.



Kelly Thomas, CEO
& Michael Strukoff, Chair

Retained Earnings = \$11.6 Million

Capital Adequacy = 17.5% [more than twice the 8% we require]

Liquidity = 28.7% [we require a minimum 8%]

In the last quarter of 2011, we developed a new partnership with Qtrade Financial Group (Qtrade) for comprehensive wealth management services, including mutual fund dealer and online brokerage services. This collaboration will help drive us forward in delivering an innovative investment selection paired with superior customer service for our members.

At GFCU, we do not simply measure our success based on financial indicators. On behalf of our member owners, we provided financial support to our local community groups and organizations of more than \$150,000. Further on in this report, we will tell you more about our Community Investment Program as part of our strategy for helping do our part to strengthen and sustain the Boundary.

In November, a questionnaire was mailed to our members and we received a response rate of more than 18%. Thank you for this substantial feedback. You have provided valuable insight to the ways in which we can better serve you.

Although this report summarizes our activity and results in 2011, it is released in 2012 and, for this reason, we would like to acknowledge the International Year of Co-operatives. It is our privilege to be part of the international co-operative movement and to serve our local communities for more than 60 years. Together, we uphold the values underlying the Credit Union Operating Principles: democratic structure, service to members, and, social service.

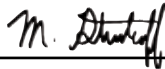
Thank you for choosing to do your business with your community Credit Union.

2011 AGM Survey Results

At the AGM in 2011, 98 members responded to a survey about our AGM. 61% explained they attend because they 'want to know more about what the Credit Union is doing' and 58% like the door prizes! 64% find the meeting 'informative'.

2011 Special Resolution Results

The purpose of the Special Resolution was to allow members of GFCU to vote for Directors and other special resolutions by electronic means in addition to in person at our branch and/or by mail ballot. 20 Members voted 'yes' – in favour of the Special Resolution and 5 voted 'no' – not in favour. The resolution passed.



Michael Strukoff, Chair



Kelly Thomas, CEO



Our 2011 Team

Standing left to right

Marion Duralia, Nicole Hulbert, Debbie Mark, Lisa Anderson, Pam Smith, Julie Hallstrom, Tracey Lloyd, Dale Lachapelle, Mark Grimm, Barb Whitney, Diane Davey, Lisa Clemens, Melanie Haffner, Shauna Lum, Kelly Thomas, Samantha Vaugeois, Valerie Kelly, Angela Soukoreff, Sandy Shiloff, Debbie Lauzon, Sheri Wlasoff, Tina Flanagan, Tony Roodzant, Doug McGillivray, Sherry Stewart, Tracy Noseworthy, Les Orme, Jan Subotin, Cheryl Fofonoff

Seated left to right

Tricia Ronmark, Jacquie Kopan, Melodie Davidoff, Krista Elliott, Kathy Kalesnikoff, Angela Hanlon, Jenna Brewer, Chrissy Peterson

Missing

Angela Fraser, Connie Hajdasz, Debbie Fofonoff, Heather Tresnich, Jalene Padmoroff, Nicole Tourcotte, Paula Wolkosky

Thank you for choosing us to help you

Our more than 40 qualified, caring, professional, and friendly employees live and work in the communities we serve. We are proud to help you find the most effective ways to bank, borrow, and invest your hard earned dollars.

To remain proficient in our roles, in 2011, we completed more than 1700 hours of training/professional development.

Throughout the year, each 'Payday Friday', we are provided the opportunity to dress casually in jeans and corporate shirts at a cost of \$2 each. Our Employees' Social Committee then distributed the monies raised:



\$500 to the Relay for Life

\$255 to the Community Christmas Hamper Program

\$250 to the Grand Forks Community Christmas Dinner

\$255 to the Boundary Community Food Bank

\$255 to the BFISS Community Integration Program

The Cancer Relay for Life holds a special place in our hearts because of how it has touched the lives of our fellow employees, family members, and friends. Tens of thousands of dollars have been raised over the last few years through our in branch activities such as bake sales, silent auctions, book sales, and individual fundraising. Thank you to each of our members who are a part of these efforts through donations and purchases. In 2011, we contributed more than \$3300 to the Relay.

Christmas 2011 was an extraordinary time at GFCU. Our members and employees, together, brought in gift certificates, toys, diapers, books, clothing, and bought our baked goods (more than \$1500 raised) to ensure every infant, child, and youth on the Community Christmas Hamper Program Angel Tree would receive a gift. Our community is grateful for such generosity.

Last year, we said goodbye to Dan Currie, Lee Day, Kathleen Rezansoff, Lil Voykin, Terry Woodruff.

Community Investment

As a locally-controlled and community-focussed financial institution, Grand Forks Credit Union provides more than excellence in financial services and products. Our philanthropy is a strategic investment into the very communities where our members live, raise their families, run their businesses, and enjoy a peaceful retirement.

Our giving is intended to support our fellow citizens, who volunteer their time and talents in order to provide the programs and services that knit us together and make us the Boundary region. Our giving also supports community economic development initiatives that are aimed at fortifying our business sector. The co-operative values and principles reinforce this notion of sharing resources and strength with one another.



Historically, Credit Unions were a response to the lack of access to banks. Today, we continue to differentiate ourselves by intentionally and directly re-investing profit into the households of our members in the form of dividends and into the communities where we live and work -- in the forms of scholarships/bursaries, donations, and community involvement and support.

Because of you, our members, we work together to build our communities – the wealth of our human and social capital.

Scholarships & Bursaries

Annually, GFCU provides scholarships for GFSS and BCSS high school students. The amount is calculated at 1.0% of the prior year's earnings before taxes and dividends with a minimum of \$7,500 and a maximum of \$15,000. We also contribute to a designated scholarship endowment fund with the Phoenix Foundation that generates scholarships for post-secondary school students. And we hold an endowment with Selkirk College that generates a bursary for a local student each year.

Donations

Our policy provides opportunity to give “the greater of 1/100th of asset size or \$20,000 annually”.

Building a Legacy from a Co-operative Perspective

As part of a long term strategy of commitment and legacy for the Boundary area, the Grand Forks Credit Union (GFCU) Board of Directors adopted a policy to fund a donor advised fund to be held within the Phoenix Foundation of the Boundary Communities. The goal of the GFCU board is to provide an annual cash contribution to the endowment as defined in their policy until such a time as the fund reaches a principal value of \$1 million.

In light of the last two historically profitable years, the GFCU Board made two contributions of \$100,000 each to the newly established **Grand Forks Credit Union Community Endowment Fund**. The policy provides for a potential contribution amount determined by annual profits.

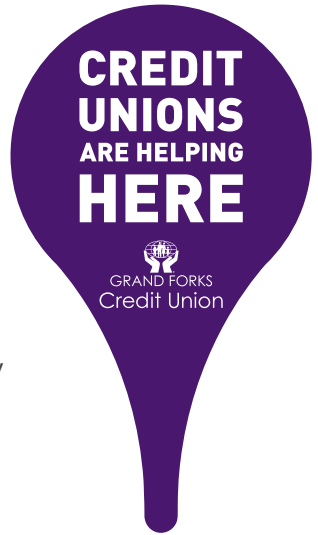
The continuing economic challenges for the region, combined with the desire to leave a legacy for future local generations, were part of our Board's motivation to establish the fund. Grand Forks Credit Union can continue to give to the Boundary communities in perpetuity through the grants generated from this endowment and to provide a broad range of financial support thereby touching the lives of GFCU members and all area residents.

Current investments held by the Phoenix Foundation total approximately \$1.5 million in endowments, thanks in part to more than \$425,000 being contributed by Grand Forks Credit Union. The Foundation has provided over \$315,000 in grants since 1998 to groups from Christina Lake to Beaverdell.



2011 Community Investment

- Boundary Community Food Bank
- Boundary Dog Sled Association
- Boundary Family & Individual Services Society (BFISS)
- Boundary Girls' Fastpitch
- Boundary Museum Society
- Boundary Women's Coalition
- Canadian Red Cross – Health Equipment Loan Program (HELP)
- Grand Forks Border Bruins
- Grand Forks Curling Club
- Grand Forks & District Fall Fair
- Grand Forks & District Public Library
- Grand Forks Minor Hockey
- Grand Forks International Baseball Tournament
- Grand Forks Rotary Halloween Bonfire
- Habitat for Humanity
- Kootenay Association for Science & Technology (KAST)
- Kootenay Glacier Kings Senior Games
- Midget Rep Hockey
- Movember Canada
- Phoenix Mountain Alpine Ski Society
- Relay for Life
- Rock Creek Rodeo
- Royal Canadian Legion
- The YES Credit Union Camp



Success By 6 – Lead Partner

Credit Union Collectibles –Oakley Otter

Photos with Santa (in partnership with Value Drug Mart)

Fish Pond at events such as the GFI and Grand Forks Fall Fair



Scholarships & Bursaries

GFSS \$7500 (total) - \$1500 each to Athena Szabo, Josh Caron, Lauren Le Sergent, Cass Funk, Marla Konkin

BCSS \$1500 to Shannon Hall

Phoenix Foundation Scholarship Fund = Evan Popoff \$750

Selkirk College Bursary = Brenden Eburne \$760





The Power
of Credit Union
Membership

Independent auditors' report on the summarized financial statements

To the members of
Grand Forks District Savings Credit Union

The accompanying summary financial statements, which comprise the summarized statement of financial position as at December 31, 2011, the summarized statement of comprehensive income, summarized statement of changes in members' equity and summarized statement of cash flows for the year then ended, and related note, are derived from the audited financial statements of Grand Forks District Savings Credit Union for the year ended December 31, 2011. We expressed an unmodified audit opinion on those financial statements in our report dated February 22, 2012.

The summarized financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summarized financial statements, therefore, is not a substitute for reading the audited financial statements of Grand Forks District Savings Credit Union.

Management's responsibility for the summarized financial statements

Management is responsible for the preparation of a summary of the audited financial statements in accordance with Article 128 of the Financial Institutions Act of B.C.

Auditors' responsibility

Our responsibility is to express an opinion on the summarized financial statements 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 summarized financial statements derived from the audited financial statements of Grand Forks District Savings Credit Union for the year ended December 31, 2011 are a fair summary of those financial statements, in accordance with Article 128 of the Financial Institutions Act of B.C.

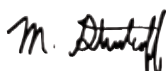
Kelowna, BC
February 22, 2012

Grant Thornton LLP
Chartered accountants

Summarized statement of financial position

	December 31 2011	December 31 2010 (unaudited)	January 1, 2010 (unaudited)
Assets			
Cash resources	\$ 42,571,304	\$ 38,841,547	\$ 37,565,943
Investments and other	17,126,881	14,860,723	14,797,291
Derivative instruments	631,092	76,102	-
Loans	149,988,878	154,403,834	153,340,801
Property, equipment & intangible asset	2,675,498	2,801,024	2,862,982
Income taxes recoverable	-	-	128,669
Deferred income tax asset	-	75,769	59,227
Other assets	134,924	135,664	153,651
	<u>\$ 213,128,577</u>	<u>\$ 211,194,663</u>	<u>\$ 208,908,564</u>
Liabilities			
Income taxes payable	\$ 208,738	\$ 22,246	\$ -
Deposits	198,582,365	197,938,407	197,109,786
Payables and accruals	2,100,367	2,254,509	1,966,947
Derivative financial instruments	-	-	2,004
Deferred income tax liability	21,378	-	-
	<u>200,912,848</u>	<u>200,215,162</u>	<u>199,078,737</u>
Members' equity			
Retained earnings	11,662,956	10,909,384	9,831,831
Accumulated other comprehensive income (loss)	552,773	70,117	(2,004)
	<u>12,215,729</u>	<u>10,979,501</u>	<u>9,829,827</u>
	<u>\$ 213,128,577</u>	<u>\$ 211,194,663</u>	<u>\$ 208,908,564</u>

On behalf of the Board



Michael Strukoff, *Director*



Theresa Dergousoff, *Director*

Summarized statement of comprehensive income

Year ended December 31	2011	2010 (unaudited)
Financial income	\$ 9,298,358	\$ 9,696,259
Financial expense	(2,911,062)	(3,315,275)
Financial margin	6,387,296	6,380,984
Other income	1,203,952	1,357,652
Operating margin	7,591,248	7,738,636
Operating expenses	(6,466,299)	(6,471,325)
Earnings before income taxes	1,124,949	1,267,311
Income taxes	(371,377)	(189,758)
Net earnings	753,572	1,077,553
Other comprehensive income (net of tax)	482,656	72,121
Comprehensive income for the year	<u>\$ 1,236,228</u>	<u>\$ 1,149,674</u>

Summarized statement of changes in members' equity

Year ended December 31	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance at January 1, 2010 (unaudited)	\$ (2,004)	\$ 9,831,831	\$ 9,829,827
Net earnings	-	1,077,553	1,077,553
Other comprehensive income			
Change in unrealized gains on cash flow hedges	72,121	-	72,121
	<u>72,121</u>	<u>-</u>	<u>72,121</u>
Balance on December 31, 2010 (unaudited)	70,117	10,909,384	10,979,501
Net earnings	-	753,572	753,572
Other comprehensive income			
Realized and unrealized gains on cash flow hedges	539,648	-	539,648
Recognition of realized gains on cash flow hedges	(56,992)	-	(56,992)
	<u>(56,992)</u>	<u>-</u>	<u>(56,992)</u>
Balance on December 31, 2011	<u>\$ 552,773</u>	<u>\$ 11,662,956</u>	<u>\$ 12,215,729</u>

Summarized statement of cash flows

Year ended December 31	2011	2010 (unaudited)
Cash flows provided by (used in)		
Operating activities	\$ 1,947,151	\$ 2,513,276
Financing activities	(221,059)	381,804
Investing activities	<u>2,003,665</u>	<u>(1,619,476)</u>
Net increase in cash and cash equivalents	3,729,757	1,275,604
Cash and cash equivalents, beginning of year	<u>38,841,547</u>	<u>37,565,943</u>
Cash and cash equivalents, end of year	<u>\$ 42,571,304</u>	<u>\$ 38,841,547</u>

A full set of financial statements are available from the Credit Union.

Summarized note to the financial statements

December 31, 2011

Basis of presentation

The Grand Forks District Savings Credit Union ("the Credit Union") has adopted International Financial Reporting Standards ("IFRS") during the current year and as a result, in accordance with IFRS, has presented a third column within its Statement of financial position dated January 1, 2010. The January 1, 2010 Statement of financial position represents the financial position of the Credit Union after all IFRS transitional adjustments were made and the audited non-summarized financial statements provide details of these transitional adjustments. These summarized financial statements have included this third column for reference only, therefore, reading these summarized financial statements is not a substitute for reading the audited financial statements of Grand Forks District Savings Credit Union.

THE HANDS AND GLOBE

The hands and globe logo has symbolic and historic significance for the credit union system. The cupped hands symbolize both the financial security and support offered by the international credit union network, as well as the fact that the success of the system is in the hands of its members. The globe symbolizes the worldwide scope of the system and suggests the impact that a truly united system can have on the financial development of all countries. The people within the globe represent the real focus of the credit union movement. It is the human element – the harmony of people working for people – that distinguishes credit unions from other financial institutions.

The definition of a credit union and the explanation of the hands and globe are excerpted from The Credit Union System course through Credit Union Institute of Canada (CUIC, Inc.).



GRAND FORKS
Credit Union



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