



Strength in Numbers



“In cooperation there is strength.”



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2012 Annual Report

“Cooperation is the thorough conviction that nobody can get there unless everybody gets there.”





Commitment to Excellence in Governance

Grand Forks Credit Union (GFCU) is a financial cooperative governed by a Board of Directors comprised of nine persons. The directors, who are democratically elected by our credit union's members, are entrusted to represent and be accountable to our member owners. Our board provides direction to GFCU's strategic goals and priorities, as well as policy. Ultimately, our board has key oversight in protecting and enhancing GFCU's assets, as well as evaluating its performance and progress. In British Columbia, legislation, regulations, and common law all inform the governance roles, responsibilities, relationships, and practices undertaken by our Board of Directors.

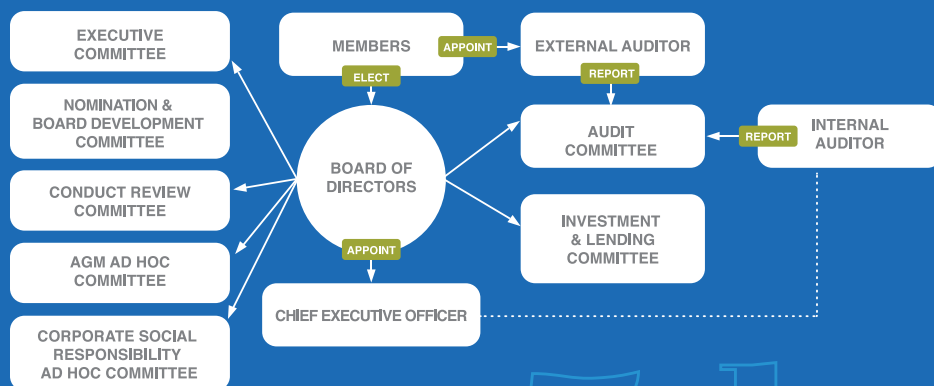
In recent years, complex regulatory and economic conditions have meant credit unions have faced increasingly challenging operating environments. At GFCU, the challenges have been no less than those experienced by other credit unions yet, GFCU proudly continues to show strong, positive financial results and a significant and meaningful presence in the communities we serve.

Our board recognizes GFCU's successes are a result of our loyal and engaged members, our qualified, competent and caring employees, and our strong executive leadership.

In addition to mandatory training, there is an ongoing commitment within our credit union to continuous improvement: our employees, managers, CEO, and directors dedicate a great deal of their time and energy to continuous professional development. In doing so, our credit union, and, consequently, our communities, are strengthened.

Our board

Left to right: Jennifer Wetmore, Suzanne Schroeder, Kelly Thomas (CEO), Peter Perepelkin, Michael Strukoff (Chair), Pat Horkoff, Ken McKinnon, Roly Russell, Kathleen Gabelmann, Theresa Dergousoff



Governance Training & Professional Development

GFCU directors are required to complete the Credit Union Director's Achievement (CUDA) Program. All of our directors have gone beyond the requirement in order to assist them with their duties and responsibilities. More than ever, there is a need to understand the complexities of running the business in areas such as:

- Enterprise Risk Management
- Strategic Planning
- Succession Planning
- Anti-Money Laundering
- CEO/Board Performance and Evaluation and Assessment Practices
- Monitoring Strategy
- Competitive Environments/Financial Performance
- Regulatory Requirements and Compliance

In 2012, GFCU directors took more than 760 hours of training and professional development. The goal is to ensure a high quality of governance, and, ultimately, the short and long term success of GFCU.

Director Attendance 2012

Directors of GFCU are active participants in the governance of the credit union. The following table provides an overview of one indicator of participation – attendance at board and committee meetings.

	Board Meeting Attendance	Executive Committee	Conduct Review Committee	Investment & Lending Committee	Audit Committee	Nomination & Board Development Committee	AGM Ad Hoc Committee
Theresa Dergousoff	14/15		2/2 (to May)		8/8 Chair		1/2
Kathleen Gabelmann	11/11 (from May)			2/2 (from May)		4/4 (from May)	2/2 Chair
Pat Horkoff	15/15		4/4 Chair	2/2 (from May)	3/4 (to May)	3/4 (to May)	
Ken McKinnon	13/15		4/4	3/3 Chair		8/8 Chair (to May)	
Peter Perepelkin	13/15		1/2 (from May)	1/1 Chair (to May)	4/4 (from May)	2/4 (to May)	
Roland Russell, 2 nd Vice Chair	15/15	5/6 (from May)		0/2 (from May)	4/4 (to May)	3/4 (to May)	2/2
Suzanne Schroeder 1 st Vice Chair	14/15	9/9			8/8	4/4 (from May)	
Bill Strookoff	3/4 (to May)			0/1 (to May)			
Michael Strukoff, Chair	14/15	8/9 Chair					2/2
Jennifer Wetmore	14/15	3/3 (to May)		1/1 (to May)	3/4 (from May)	4/4 Chair (from May)	

In order to help us fulfill our vision of being the first choice for financial services for residents of the Boundary region, we have established five broad strategic objectives:

Strategic Objectives

1. **Financial Performance & Profitable Growth** *We grow the business together, cooperatively.*

The primary means to achieving and maintaining our strategic objectives is through profitable and sustainable financial growth. It is through this growth that we acquire the financial means to ensure we can continue to deliver the products, services, and prices in a way our members expect from their financial services provider.

2. **Member Engagement** *We care about connecting!*

Engaging our members through superior member relationship management is a member centric way of doing business. Surveys offer members the opportunity to provide opinions, ideas, and input that can lead to GFCU being a better organization. Seminars conducted by credit union personnel and offered to the public are another great way to connect with those we serve. We support member engagement through the delivery of products, price, and service expectations: the right product, at the right price, through the right delivery channel with the right service level.

3. **Employee Engagement** *Our people represent our business.*

The capability and commitment of our employees is a competitive advantage of which we can all be proud. GFCU's human resource or 'people policies and practices' are designed to promote a culture that acknowledges people as a key strategic resource by attracting, developing, and retaining skilled, innovative, and dedicated employees.

4. **Operational Efficiency** *We innovate for the sake of service and savings.*

Operational efficiencies and innovation lead to minimized waste and maximized resources in order to deliver quality products and service to our members. Optimally, it is striking a balance of technology application and people effort to re-engineer the way we do business to satisfy our members' needs and organizational effectiveness. Continuous innovation allows us to be better.

5. **Community Engagement** *Caring for community is the heart of our cooperative.*

Differentiating ourselves in the marketplace is a strategy for membership retention and growth. Helping our residents, members, and non-members better understand that we are more than providers of financial products and services helps to distinguish us from other financial institutions. Community engagement increases opportunities for GFCU to hear and integrate the 'member voice' into our product development, service delivery, and resource allocation. It also provides opportunities to inform and educate our communities about the value and benefits of living with a community credit union in our midst.

Report from the Board Chair & CEO

The 2012 International Year of Cooperatives inspired us to reflect on the power of the cooperative movement and our role as the locally-owned and controlled financial institution. Being a Credit Union means we are a 'values-based' business; our purpose is more than to make a profit. We take our cooperative ethos seriously and remain true to the model. We are committed to providing our communities with top quality financial products and services. And, social responsibility and accountability reach to the core of our day-to-day operations.



Kelly Thomas, CEO & Michael Strukoff, Chair

Financially, GFCU slightly exceeded our expectations around growth and profitability and, as a result, we were able to return more than \$670,000 to our members under our Cash Back program. Based on the business you had with us in 2012, you were credited with 7.56% bonus on interest paid to you on your deposit accounts and registered plans, as well as a rebate on interest paid by you on loans, mortgages, and lines-of-credit. Since 1990, we've returned more than \$10 million to our members.

In an economic climate slowly showing signs of improvement, our total assets grew by 2.06% with overall deposits up by 2.26%. Residential loans grew by \$4.4 million and commercial loans by almost \$4.7 million. At year end, our loan delinquency was 0.77% which compares favourably to the BC Credit Union system average of 0.79%.

We will soon be announcing our new company – a wholly owned subsidiary jointly owned with East Kootenay Community Credit Union and Nelson Credit Union. Throughout 2012, we worked behind-the-scenes on creating this wealth management arm to help meet our member’s needs. Never has it been more critical to know who is helping you invest your life savings. And with many of us approaching retirement, the need to grow and preserve assets while considering how they will eventually be distributed is of utmost importance.

Through our new company, we now have the ability to offer all of the investment, insurance, estate, and disability products and services that you need. Partnering

Retained Earnings = **\$12.4** million

Capital Adequacy = **18%**

Liquidity = **21%**

with local area credit unions also means we offer a larger collection of products, expertise, and resources. Our bench strength in the area of whole life financial planning has multiplied with dedicated planner, John McPhee, CFP CLU, in our building and access to a pool of financial planners located from Cranbrook to Grand Forks. These services are available for members as well as non-members of the Credit Union.

In light of the fact our employees are our most valuable resource, we were pleased to welcome Isabelle Charland, Manager of Human Resources to our team. With her experience and capability, we are better equipped to ensure we have the most qualified and effective employees on staff.

In an era of intense competition for business, we recognize the strategic importance of setting the bar high in regard to our employee’s education, skill development,

“There are many super heroes among the Grand Forks Credit Union membership...”

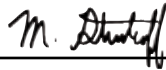



and the service they provide our membership. You will see in this report how much time has been committed to employee training. In the fall of 2012 we were very pleased to have reached a new three year agreement with the BCGEU who represents our unionized employees.

Our Community Investment Program is an evolving strategy. We find ways to give to the smallest enterprises as well as the large; from the Grand Forks Canada Day Concert and the Greenwood Elementary School Golf Program to the BC Rural Communities Summit hosted in Grand Forks and the Boundary Country Regional Chamber of Commerce. Grassroots level initiatives make a difference to our quality of life in the Boundary and we want to do our part in supporting these superheroes of the Boundary area.

And in order to ensure a legacy of giving, we continue to contribute to the Grand Forks Credit Union Community Endowment Fund held with the Phoenix Foundation of the Boundary Communities. We believe this local foundation makes a valuable and measurable difference for many organizations throughout the region at a time when there are more needs and less funding.

While the economic mood slowly begins to lighten, we are encouraged by the possibilities that lie ahead for Grand Forks Credit Union, our members, and our communities. Our cooperative principles and values are what distinguish us from other financial service providers and they will continue to guide us as we serve you. Thank you for your continuing business. Your choice really does make a difference.


Michael Strukoff, Chair


Kelly Thomas, CEO



Our employees love to give where they live

Dollar amount fundraised by employees for Relay for Life:

\$3793

Dollar amount fundraised by employees for the Community Christmas Hamper Program:

\$2105

Dollar amount contributed by employees on Jeans Days

\$ 1837

Distributed to:

- \$ 225 BC Children's Hospital
- \$ 500 Relay for Life
- \$ 282 Sports Day Jerseys to fund sports for kids in Grand Forks
- \$ 415 Food Bank
- \$ 415 Boundary Transition House



Community Investment Program

When members ask why we give as we do within the Boundary area, we respond that it is in the best interest of all of our members that we be generous, especially when we do well financially and our community needs the support. This code of conduct mirrors our approach to our primary business lines and our historical common bond – one whereby we pool our financial assets in order to provide loans to one another. In the same way, GFCU gives, on behalf of our membership, to those who strive to make our communities more prosperous, healthier, and successful economically and socially. As long as our residents continue to conduct their financial business with us and to refer us to family and friends, we can contribute to the very organizations and initiatives that make us all want to live, work, raise our families, and retire here.

\$1,000,000

Phoenix Foundation

Dollar amount contributed to the Grand Forks Credit Union Community Endowment Fund through the Phoenix Foundation
\$100,000.

Our first grant of **\$1925** was awarded in 2012 to the Boundary Restorative Justice Program.

\$300,000

of our \$1 million goal has been reached

Community Contributions



Dollar amount contributed to not-for-profit groups and organizations

\$36,465



Dollar amount contributed for **community economic development** initiatives including the BC Rural Communities Summit and Boundary Country Regional Chamber of Commerce

\$40,000



Dollar amount contributed to **scholarships and bursaries** for local students and/or GFCU members

\$15,000

Direct economic value generated by employee compensation (salaries & benefits)

\$2,965,290

Profit Sharing



Cash Back Profit Sharing Program
For Members

\$670,000+

Equity Share Dividends

5%

Bonus on interest paid to you on your deposit accounts and registered plans

7.56%

Rebate on interest paid by you on loans, mortgages, and lines-of-credit

7.56%

Employee Professional Development



Total workforce

46

Total employee training hours

1732

Completed on personal time

1163

Average training hours per employee

38

Strength in green numbers...

Members who have suppressed their hard copy paper statements in favour
of accessing their statements online

24%

If you have online banking with MemberDirect, you can see
your monthly e-statements now!

e-Statements are:

Convenient, Safe and Smart

- We store your statements for 7 years.
- You access your statements through our secure online banking.
- We all save money and resources.

*Join the movement to a greener, safer way to access your
financial information. IT'S FREE.*

 **eStatements**

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, 2012, 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 notes, are derived from the audited financial statements of Grand Forks District Savings Credit Union for the year ended December 31, 2012. We expressed an unmodified audit opinion on those financial statements in our report dated March 7, 2013.

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 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, 2012 are a fair summary of those financial statements, in accordance with Article 128 of the Financial Institutions Act of B.C.

Kelowna, BC
March 7, 2013

Grant Thornton LLP
Chartered accountants

Summarized statement of financial position

December 31	2012	2011
Assets		
Cash resources	\$ 29,899,541	\$ 42,571,304
Investments	15,633,311	17,126,881
Receivables and prepaid expenses	413,009	134,924
Derivative financial instruments	428,261	631,092
Loans (Note 1)	168,374,404	149,988,878
Property, equipment and intangible asset	2,493,501	2,675,498
Income taxes recoverable	254,113	-
Deferred income tax asset	20,758	-
Total Assets	\$ 217,516,898	\$ 213,128,577
Liabilities		
Deposits (Note 2)	\$ 202,729,126	\$ 198,582,365
Payables and other liabilities	2,100,743	2,100,367
Income taxes payable	-	208,738
Deferred income tax liability	-	21,378
Total liabilities	204,829,869	200,912,848
Members' equity		
Retained earnings	12,431,166	11,662,956
Accumulated other comprehensive income	255,863	552,773
Total members' equity	12,687,029	12,215,729
	\$ 217,516,898	\$ 213,128,577

On behalf of the Board

M. Strukoff

Michael Strukoff, *Director*

Theresa Dergousoff

Theresa Dergousoff, *Director*

Summarized statement of comprehensive income

Year ended December 31	2012	2011
Financial income	\$ 8,822,254	\$ 9,298,358
Financial expense	2,689,404	2,911,062
Financial margin	6,132,850	6,387,296
Other income	1,144,698	1,203,952
Operating margin	7,277,548	7,591,248
Operating expenses	6,328,753	6,466,299
Earnings before income taxes	948,795	1,124,949
Income taxes	180,585	371,377
Net earnings	768,210	753,572
Other comprehensive (loss) income, (net of tax)	(296,910)	482,656
Total comprehensive income for the year	\$ 471,300	\$ 1,236,228

Summarized statement of changes in members' equity

Year ended December 31, 2012

	Accumulated other comprehensive income	Retained earnings	Total members' equity
Balance at December 31, 2011	\$ 552,773	\$ 11,662,956	\$ 12,215,729
Net earnings	-	768,210	768,210
Other comprehensive income			
Unrealized losses on cash flow hedges, net of tax	(131,813)	-	(131,813)
Reclassification of realized gains on cash flow hedges, net of tax	(102,697)	-	(102,697)
Unrealized actuarial losses	(62,400)	-	(62,400)
Balance on December 31, 2012	<u>\$ 255,863</u>	<u>\$ 12,431,166</u>	<u>\$ 12,687,029</u>

Summarized statement of cash flows

Year ended December 31

	2012	2011
Cash flows provided by (used in)		
Operating activities	\$ (13,171,948)	\$ 7,205,998
Financing activities	(806,412)	(990,042)
Investing activities	<u>1,306,597</u>	<u>(2,486,199)</u>
Net (decrease) increase in cash resources	(12,671,763)	3,729,757
Cash resources, beginning of year	<u>42,571,304</u>	<u>38,841,547</u>
Cash resources, end of year	<u>\$ 29,899,541</u>	<u>\$ 42,571,304</u>

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

Summarized notes to the financial statements

December 31, 2012

1. Loans	2012	2011
Personal loans		
Residential mortgages	\$ 86,674,854	\$ 82,231,864
Other	<u>20,563,710</u>	<u>19,054,896</u>
Commercial loans		
Mortgages	42,767,244	38,082,834
Other	<u>3,468,355</u>	<u>3,669,443</u>
Purchased mortgages	14,681,021	6,753,355
Accrued interest	503,735	349,590
Deferred loan fees	<u>(105,950)</u>	<u>(56,539)</u>
	168,552,969	150,085,443
Allowance for impaired loans	<u>(178,565)</u>	<u>(96,565)</u>
	<u>\$ 168,374,404</u>	<u>\$ 149,988,878</u>

Allowance for impaired loans

Change in individual specific provision and collective provision for impairment:

	Beginning balance	Provision (recoveries)	Write-offs	2012 Ending balance	2011 Ending balance
Commercial loans	\$ 67,420	\$ 30,238	\$ (38,945)	\$ 58,713	\$ 67,420
Personal loans	<u>29,145</u>	<u>109,780</u>	<u>(19,073)</u>	<u>119,852</u>	<u>29,145</u>
Total provision	<u>\$ 96,565</u>	<u>\$ 140,018</u>	<u>\$ (58,018)</u>	<u>\$ 178,565</u>	<u>\$ 96,565</u>
Percentage of total loans, accrued interest, and deferred loan fees				<u>0.11%</u>	<u>0.06%</u>

2. Deposits	2012	2011
Term	\$ 75,540,625	\$ 80,979,191
Demand	<u>75,693,407</u>	<u>67,934,880</u>
Registered savings plans	41,878,575	41,706,333
Tax free savings accounts	8,281,982	6,320,459
Accrued interest and dividends	1,040,729	1,348,008
Membership equity shares	<u>293,808</u>	<u>293,494</u>
	<u>\$ 202,729,126</u>	<u>\$ 198,582,365</u>