



COPPERFIN

CREDIT UNION

# Annual Report

2017

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## Chair/CEO Message

This past year has been both challenging and momentous as we've really started to find our stride as an organization.

We recognized significant growth in new membership, while continuing to build relationships with our members by offering them advice in their best interests.

We opened our beautiful new Harbour branch in Thunder Bay and have already begun work on reinvigorating others to deliver amazing member service while creating a collaborative workspace for our team members.

And, we continued to give back tirelessly, to the tune of 8 times more money going back to our communities compared to Big Banks for every dollar of business you have with us.

Looking ahead, 2018 will see us truly live Life Forward. We will become more efficient, leading to more time spent having conversations with our members. We will implement improved systems and tools for our staff to enable more streamlined operations to ensure an amazing member experience. And we'll provide enhanced training to ensure we remain knowledgeable about our members, our industry and the credit union system.

Thank you for supporting everything we've accomplished in 2017, we can't wait for an exciting 2018!



**Dennis Alvestad**  
CEO



**Kevin Burns**  
Board Chair



# What We Accomplished



## HARBOUR BRANCH OPENING

After months of planning and renovations, our new Harbour branch in Thunder Bay opened in November. Located in a convenient, central location, the new format focuses on providing an incredible member experience through a seamless combination of open concept and privacy, allowing for in-depth, personal conversations for routine transactions or if you're opening your first account.



## COLLABRIA CREDIT CARD CONVERSION

OK, so it wasn't technically in 2017, but all of the work to pull it off was...effective January 2018 we participated in a credit union system wide swap in credit card providers from CUETS to Collabria. We're proud to offer and support you with a great new credit card lineup with better rewards and even one for US currency. Plus our new partner is more aligned to the Credit Union system and, most importantly, offers better member support.



## FINANCIAL GROWTH

In today's highly competitive financial services market our performance has never been under more pressure. In spite of this, 2017 returned some of our most successful financial results, allowing us to return some of our profits to you, our members; the fifth straight year we've been able to do so.



## CREDENTIAL MUTUAL FUND CONVERSION

We've enhanced our Wealth Management services – through training and empowering more of our staff to provide the financial advice and solutions that are in your best interests.



## INFORMATION SYSTEMS ENHANCEMENTS

Our Information Systems capabilities have been strengthened as we navigate through the digital transformation our industry is undertaking. We continue to work to ensure you have access to your finances in secure, convenient ways while equipping our staff with better tools to provide great member service.

## Community Investment

Staying true to our co-operative principals, we continued to work together in the best interest of our members and our communities. In 2017 we gave back 8 times more to our community than big banks for every dollar of business, in areas such as youth, health care, and social wellness to name a few. Our staff will continue to volunteer in areas that are important to them and our communities in which we live and serve.



**\$242,500**

given back to  
our community



**4886**

volunteer hours



**\$50,000**

donated to **Lake of the Woods  
District Hospital Foundation**  
towards a new CT Scanner



**\$25,000**

donated to **Roots to Harvest**  
for a fancy new van

Average of over  
**13 hours volunteered**  
every single day

Equivalent of almost  
**3 full time employees'**  
annual hours

Like volunteering  
**24 hours a day**  
for over 200 days

# What's **Coming**

**BUILDING OFF OUR GROWTH AND MOMENTUM WE'LL BE STAYING THE COURSE IN 2018 TO ENSURE THE BEST MEMBER EXPERIENCE BY IMPLEMENTING BETTER SYSTEMS, PROCESSES, TRAINING AND COMMUNICATIONS.**



## **WE'LL CONTINUE TO EVOLVE THE MEMBER EXPERIENCE**

This year our remaining Thunder Bay branches will be renovated, and further updates are coming to online and mobile banking.

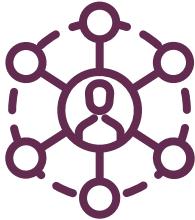
And, if you're one of our over 13,000 members with a debit card, make sure to check your mail this Spring for a new one as we join credit unions across the country in switching to a new partner.

Our Wealth Management offering is being further enhanced, with more staff empowered to provide expertise during every interaction.



## **WE'LL CONTINUE TO IMPROVE OUR CORE NETWORKS AND SYSTEMS**

The implementation of a series of new systems will result in us being even easier to contact and work with, making interactions faster to give you more time back in your day...or spend it talking more with us; we don't mind at all! Behind the scenes, we're in the process of replacing our internal networks, voice systems, video surveillance and other security measures.



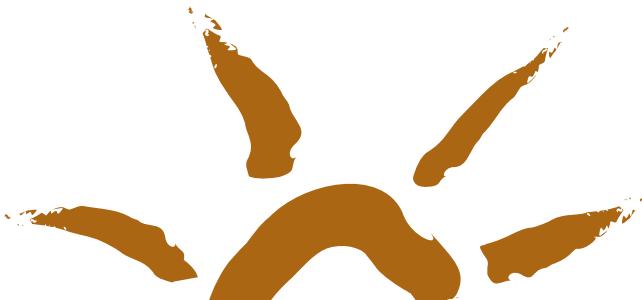
## WE'LL FOCUS ON OUR PEOPLE

To ensure we're set up to deliver on our short and long term road map from a capacity and change perspective resources are being put in place to kick start robust Learning & Development and Internal Communications plans. The Operations Team is exploring ways to strengthen their department and continue to drive effectiveness.



## WE'LL CONTINUE TO GROW... SUSTAINABLY

Balanced growth will ensure we continue to offer and improve the products and services you need to move your lives forward while continuing to give back member dividends and invest in our community. Standards will be maintained to ensure we continue to grow as a co-operative while remaining grounded and stable at the same time.



# Board Of Directors

Copperfin is governed by the Board Of Directors who are responsible for the leadership, oversight, strategic direction and long-term success of the Credit Union. The Board is committed to maintaining a high standard of corporate governance practices and policies, that are fundamental to the efficient, effective and transparent operation of the business. In discharging its duties, the Board acts in good faith, with due diligence and in the best interest of its stakeholders.

In accordance with our Bylaws the Board is comprised of 12 Directors, elected by the membership in a democratic process. Directors are normally elected or acclaimed for a three-year term with a maximum of no more than four consecutive terms. The Nominating and Governance, Ethics & Human Resource Policy Committees annually review the Board's skill mix, experience and tenure to establish the desired candidate profile of skill sets, knowledge and experience. The objective is to ensure the Board is composed of individuals with a diverse mix of expertise and knowledge that fits with the organization objectives and strategic goals.

In 2017 the Board undertook several initiatives in support of continuous improvement towards a robust governance platform. A consultant was appointed to facilitate a review of the current governance practices delivering actionable items to further enhance Board and management practices.

Board and Senior Leadership Team participated in a facilitated strategic planning session confirming support for the current direction while further defining effective governance oversight, engagement and governance priorities in support of the strategic direction.

Ongoing Director development is an important component of providing for effective governance. The Board invested in several educational sessions including a cultural assessment and an assessment of individual and collective thinking styles. Directors are required to invest at least 15 hours on an annual basis in formal sessions, 2017 reported an average of 32 hours.

## BOARD COMMITTEES

The Board delegates its powers and authorities from time to time, and as permitted by the Credits Unions and Caisses Populaires Act & Regulations, to ensure efficiency and that specific areas are handled with applicable expertise. Four standing committees, each with specific duties and authorities as outlined in their own terms of reference are as follows:

### Audit and Operational Risk Committee

The Audit and Operational Risk Committee in discharging its responsibilities and support to the Board, provides oversight of Enterprise Risk Management framework, providing reasonable assurance that the strategic, operational, financial and regulator objectives of the credit union are achieved.

### Member and Community Relations Committee

The Member and Community Relations Committee serves as the Nominating Committee and is responsible for the development of a candidate pool and a democratic election process. The committee provides oversight for community investment and member engagement.

### Credit and Market Risk Committee

The Credit and Market Risk Committee provides effective oversight of Copperfin Credit Union's risk management activities related to credit risk, investment risk, liquidity risk, structural risk and capital management.

### Governance, Ethics and Human Resources Policy Committee

The Governance, Ethics and Human Resources Policy Committee has three areas of responsibility; to facilitate the Board Of Directors in providing effective governance policies and procedures, to assist in protecting the reputation of Copperfin by overseeing the ethical conduct policies, and to ensure governing policies are in place on employment principles.

## COPPERFIN DIRECTOR ANNUAL RETAINER

Copperfin's Governance, Ethics & Human Resources Policy Committee is responsible to recommend Director compensation. The annual retainer for 2017 was:

<b>Board Chair</b>	<b>\$6,100</b>
<b>Vice Chair</b>	<b>\$5,100</b>
<b>Committee Chairs</b>	<b>\$4,350</b>
<b>Director</b>	<b>\$3,600</b>

## DIRECTOR ATTENDANCE

Director Committee(s)	Board and Committee Meetings Attended
<b>Kevin Burns</b> Chair, Ex Officio	17/17
<b>Scott Kennedy</b> Vice-Chair / Governance / Credit & Market Risk	19/19
<b>Joan Drotar</b> Credit & Market Risk / Member & Community Relations	20/20
<b>Richard Findlay</b> Audit & Operational Risk / Member & Community Relations	17/18
<b>Paul Fregeau</b> Member & Community Relations	12/13
<b>Robert Jankovic</b> Audit & Operational Risk / Credit & Market Risk	17/19
<b>Janet McCutcheon</b> Audit & Operational Risk / Governance	21/21
<b>Dave Moscall</b> Audit & Operational Risk / Governance	20/21
<b>James O'Hearn</b> Credit & Market Risk	15/15
<b>Doug Rushfeldt</b> Credit & Market Risk / Audit & Operational Risk <i>Resigned September 2017</i>	8
<b>Catherine Smallwood</b> Governance / Member & Community Relations	18/20
<b>Simone Tarrant</b> Governance / Member & Community Relations	18/19

# Audit And Operational Risk Committee Report

The Audit & Operational Risk Committee of the Board Of Directors fulfills the responsibilities of the Audit Committee as set out in the Credit Unions and Caisses Populaires Act (Ontario)(the “Act”) and conducts its affairs in accordance with the requirements of Section 125 of the Act and Section 27(2) of Ontario Regulation 237/09. The committee which consists of five Directors has a mandate to cover all of the duties, which are specified to be performed by Audit Committees in the Act and accompanying Regulations.

We would like to report that we have reviewed the audited financial statements for the year ending 2017 and confirm that they fairly represent Copperfin’s position and comply with International Financial Reporting Standards. We have met with the external auditors both before and after the preparation of the statements to review the scope of the audit and any findings brought forth on the completion of the audit.

We have received confirmation that there are no outstanding legal actions involving Copperfin from our lawyers.



It has been an extremely busy year for the Audit and Operational Risk Committee. The following activities were undertaken in 2017:

- Education and training on the roles and responsibilities of the Audit Committee and best practices as well as a self-evaluation on the performance of committee members and external Auditor
- Reviewed and made appropriate changes to policies and procedures to ensure internal controls were in place
- Updated and enriched the Enterprise Risk Management reporting and framework including a proactive approach to identifying potential upcoming risks affecting Copperfin in view of the continuously evolving environment in which we operate
- Reviewed all Audits by external stakeholders and approved Management's response to them for any identified areas of risk
- Performed an annual test of the Disaster Recovery Plan and updated the plan based on findings
- Oversight and review of the bi-annual examination and report completed by the Deposit Insurance Corporation of Ontario

During the year the Audit & Operational Risk Committee held 5 meetings, arranging the agenda to fulfill the annual mandate.

We report that all significant recommendations made by the Audit and Operational Risk Committee have been or are in the process of being implemented. In addition, there are no matters which the Audit Committee believes should be reported to the Members, nor are there any further matters that are required to be disclosed pursuant to the Act or the Regulations thereto.

The Audit Committee had the full co-operation of Copperfin's management team, BDO, and especially Bev Beach. We thank them all for their dedication to ensure Copperfin adequately monitors and protects the assets of our members. I also would like to take this opportunity to thank all the members of the committee who worked so diligently this past year to achieve so much.



**Janet McCutcheon**

Chair, Audit and Operational Risk Committee

# Report Of The Independent Auditor On The Summary Financial Statements



To the Members of  
Copperfin Credit Union Limited

The accompanying summary financial statements, which comprise the summary statement of financial position as at December 31, 2017 and the summary statement of comprehensive income and summary statement of changes in members' equity for the year ended December 31, 2017, are derived from the audited financial statements of Copperfin Credit Union Limited for the year ended December 31, 2017. We expressed an unmodified audit opinion on those financial statements in our report dated March 8, 2018.

The summary financial statements do not contain all the statements and disclosures required by International Financial Reporting Standards. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Copperfin Credit Union Limited.

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

Management is responsible for the preparation of a summary of the audited financial statements on the basis described in Note 1.

## **Auditor's Responsibility**

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with Canadian Audit Standard (CAS) 810, 'Engagements to Report on Summary Financial Statements'.

## **Opinion**

In our opinion, the summary financial statements derived from the audited financial statements of Copperfin Credit Union Limited for the year ended December 31, 2017 are a fair summary of those financial statements, on the basis described in Note 1.

## **(signed) BDO Canada LLP**

Chartered Professional Accountants, Licensed Public Accountants

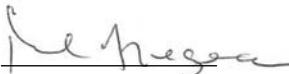
Kenora Ontario  
March 8, 2018

**Copperfin Credit Union Limited**  
**SUMMARY STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2017**

	2017	2016
<b>Assets</b>		
Cash	\$ 7,324,774	\$ 10,880,941
Liquidity deposits	27,719,514	27,425,164
Investments	2,482,357	3,181,299
Income taxes receivable	3,798	-
Other assets	469,062	512,003
Derivative financial instruments	259,633	325,613
Member loans	354,874,818	315,862,032
Deferred income taxes asset	562,872	429,994
Property, plant and equipment	4,875,433	4,092,470
Intangible assets	62,677	82,777
	<b>\$ 398,634,938</b>	<b>\$ 362,792,293</b>
<b>Liabilities</b>		
Indebtedness to Central 1	\$ 7,501,659	\$ -
Accounts payable and accrued liabilities	2,159,597	2,182,250
Income taxes payable	-	39,412
Members' deposits	329,988,203	316,505,054
Securitized mortgages under administration	26,891,186	14,260,043
Derivative financial instrument	469,149	325,613
Total Liabilities	<b>367,009,794</b>	<b>333,312,372</b>
<b>Members' Equity</b>		
Members' shares	4,843,708	5,100,958
Retained earnings	26,660,092	23,824,170
Accumulated other comprehensive income	121,344	554,793
Total Members' Equity	<b>31,625,144</b>	<b>29,479,921</b>
	<b>\$ 398,634,938</b>	<b>\$ 362,792,293</b>

Signed on behalf of the Board Of Directors by:

  
 Director

  
 Director

**Copperfin Credit Union Limited**  
**SUMMARY STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017		2016
<b>Interest revenue</b>			
Interest on member loans	\$ 13,878,468	\$	13,014,249
Other interest revenue	428,813		509,198
<b>Total Interest revenue</b>	<b>14,307,281</b>		<b>13,523,447</b>
<b>Interest and loan related expenses</b>			
Interest on member deposits	2,209,899		2,365,529
Other interest expense	435,926		134,655
Impairment on member loans	684,800		331,956
<b>Total interest and loan related expenses</b>	<b>3,330,625</b>		<b>2,832,140</b>
Financial margin	10,976,656		10,691,307
Other income	3,706,517		3,117,481
	<b>14,683,173</b>		<b>13,808,788</b>
<b>Non interest and operating expenses</b>			
Deposit insurance	211,881		220,614
Depreciation and amortization	503,571		555,800
Director and committee expense	118,513		97,263
Distributions to members	324,000		404,015
Employee salaries and benefits	6,042,624		5,854,874
Other operating and administrative	3,350,187		3,156,723
Lease costs	162,182		106,088
Occupancy	425,264		445,486
<b>Total non-interest expenses</b>	<b>11,138,222</b>		<b>10,840,863</b>
Income before income taxes	3,544,951		2,967,925
<b>Provision for income taxes</b>			
Current income tax	622,847		626,645
Deferred income tax (recovery)	(7,038)		35,415
Net provision for income tax	615,809		662,060
<b>Net Income for the year</b>	<b>\$ 2,929,142</b>	<b>\$</b>	<b>2,305,865</b>
<b>Other comprehensive income (net of tax)</b>			
Change in unrealized gains (losses) on available-for-sale investments	(433,449)		10,371
<b>Total comprehensive income for the year</b>	<b>\$ 2,495,693</b>	<b>\$</b>	<b>2,316,236</b>

The accompanying notes are an integral part of these financial statements

Copperfin Credit Union Limited

**SUMMARY STATEMENT OF CHANGES IN MEMBERS' EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Accumulated Other Comprehensive Income	Members' Shares	Retained Earnings	Total
<b>Balance at January 1, 2016</b>	\$ 544,422	\$ 5,413,658	\$ 21,611,228	\$ 27,569,308
Net income	-	-	2,305,865	2,305,865
Distributions to Members	-	-	(92,923)	(92,923)
Members' shares issued	-	35,450	-	35,450
Members' shares redeemed	-	(348,150)	-	(348,150)
Change in unrealized gains (losses) on available-for-sale investments	10,371	-	-	10,371
<b>Balance on December 31, 2016</b>	<b>\$ 554,793</b>	<b>\$ 5,100,958</b>	<b>\$ 23,824,170</b>	<b>\$ 29,479,921</b>
Net income	-	-	2,929,142	2,929,142
Distributions to Members	-	-	(93,220)	(93,220)
Members' shares issued	-	35,300	-	35,300
Members' shares redeemed	-	(292,550)	-	(292,550)
Change in unrealized gains (losses) on available-for-sale investments	(433,449)	-	-	(433,449)
<b>Balance on December 31, 2017</b>	<b>\$ 121,344</b>	<b>\$ 4,843,708</b>	<b>\$ 26,660,092</b>	<b>\$ 31,625,144</b>

**NOTES TO SUMMARY FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

1. The summary financial statements are derived from the complete audited financial statements, prepared in accordance with International Financial Reporting Standards, as at December 31, 2017 and December 31, 2016 and for the years then ended.

The preparation of these summary financial statements requires management to determine the information that needs to be reflected so that they are consistent in all material respects with, or represent a fair summary of, the audited financial statements.

Management prepared these summary financial statements using the following criteria:

- A. The summary financial statements include the statement of financial position, the statement of comprehensive income and the statement of changes in members' equity;
- B. Management determined that the statement of cash flows does not provide additional useful information and as such, has not included it as part of the summary financial statements;
- C. Information in the summary financial statements agrees with the related information in the complete audited financial statements including comparative information and all major subtotals and totals; and
- D. In all material respects, the summary financial statements contain the information necessary to avoid distorting or obscuring matters disclosed in the related complete audited financial statements, including significant accounting policies and notes thereto.

Copies of the December 31, 2017 audited financial statements are available at Copperfin Credit Union Limited.

2. Compliance with Minimum Capital and Liquidity Requirements

The Credit Union is in compliance with the capital and liquidity reserve requirements as at December 31, 2017 established by the provisions of the Credit Union and Caisses Populaires Act, 1994 of Ontario.



Copperfin

CREDIT UNION