



Copperfin

CREDIT UNION

Life Forward

2014

ANNUAL
REPORT



Never underestimate the importance of living in the moment –

of being present,
and enjoying the people, places and events
that make up your world.
These moments are the very essence
of what makes life so great.

But, life moves, and knowing that you're moving forward with purpose gives you the peace of mind to enjoy living in the moment.

So, stop. Look around. Enjoy it.

In 2014, we introduced a new brand promise:

Life Forward.

To us Life Forward is about exploring opportunities and preparing for the challenges that are uniquely yours.

It's that first home that will someday feel too small for your growing family, but is the perfect fit today.

It's the post-secondary savings account you opened the day your daughter was born, that today you know, for certain, was the best investment you ever made.

It's a reflection on how you really live.

Together, we'll navigate your financial journey and advance your life in the right direction.

This is Copperfin Credit Union.

This is Life Forward.

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MESSAGE to our MEMBERS from the CEO and BOARD CHAIR

Building The Foundation To Move Life Forward

FOR COPPERFIN, 2014 WAS A YEAR OF BUILDING ON OUR MOMENTUM FROM 2013 – moving forward on the long term foundational elements required to remain essential and relevant to the lives of our members, our team members, and the Northwestern Ontario communities in which we serve.

As in past years, our success will continue to be driven by our ability to operate as a Co-Operative Financial Institution while adapting to the new realities that exist not just for Credit Unions, but the industry as a whole.

At the forefront, the low rate environment is here to stay and continues to have a significant impact on how we manage our Credit Union. As well, our already highly competitive landscape continues to expand, resulting in the commoditization of rates, and new players to the financial services marketplace. And finally, technology and the way our members access their financial services are evolving at a faster rate than ever, one which we are keeping pace through the evolution of our online and mobile experiences.

So what have we done in the past year to continue to adapt to this new marketplace?

While low rates continue to put pressures on our spread between deposits and loans, we remain committed to providing our members with the best possible rates on all products and services. This required us to be disciplined in our management of operating costs to ensure efficiency – most notably, the closure of 3 underperforming branches. While this was an extremely difficult decision to make, it significantly improved our financial position, ensuring our Credit Union remains viable for the long term.

Another way we achieved efficiency in 2014 was through the conversion of our banking system. Like most major projects do, it had its challenges, but we remained determined, and the result is a unified, state of the art banking platform that will allow us to meet the ever-evolving financial needs of our membership.

Because of the enhanced efficiency and financial positioning recognized during the past year, surpluses generated in 2014 will be shared with our members based on how they utilized the Credit Union. We are excited to announce that over \$500,000 will be paid back in patronage dividends to you, our Copperfin owners.

Our strong performance in 2014 has allowed us to focus on the future as we strive to move the lives of our members, communities and team members forward.

2015 will see the launch of a new suite of Accounts that are simplified, forward-looking and designed specifically with our members needs in mind.

These new Accounts will be the platform on which we will launch our biggest initiative of 2015 – investing in our team members to ensure you truly experience Life Forward. We recognize that we need to be there for you, our members, in a larger capacity than just taking deposits and granting loans. We're aspiring to leverage our new product mix to be more proactive in matching the needs of our members, thereby providing more valuable financial advice and a robust member experience.

Also happening in 2015 is the launch of the Copperfin mobile app, providing members the convenience of accessing their money, wherever life takes them. Both Business and Personal members will be able to pay bills, transfer funds and even deposit cheques just by taking a picture with their mobile device.

And finally, we will continue to review and improve the in-branch experience, including the look and feel, the types of services offered, and ensuring we're in the right locations to serve you best.

Over the past year, our financial position has changed for the better. Because of our new, increased capacity, we experienced double digit growth in both Personal mortgages and Business loans, with an overall member loan growth of 11.5%, (\$27.9M), exceeding our forecasts by \$16.7M and ensuring we are operating at the lower end of our targeted liquidity range.

Modest deposit growth has kept our overall growth rate at just under 2% for the year, a number that is promising when factoring in the closures of three branches.

The diligent management of operational expenses, coupled with our lower liquidity, has improved the profitability of our Credit Union. Return On Assets exceeded 75 basis points for the year, representing a level of profitability that we and our regulator believe is needed to sustain a strong Credit Union. Further, our good financial performance has led to increased capital levels, critical to our long term success, and the continuation of our Member Patronage program.

We remain committed to continuously improving our operating efficiency, ensuring competitive rates and costs for service for our members, and giving back to our communities through social and philanthropic programs. None of our accomplishments would be possible without the hard work and foresight of our board of directors, the dedication and commitment of our team members, and the continued loyalty, passion and support of our membership.

Thank you, and here's to another amazing year at Copperfin.

Dennis Alvestad, CEO
Dave Moscall, Chair of the Board

SERVING OUR MEMBERS

2014 HIGHLIGHTS

Advancing Life Forward

While our Life Forward brand refresh was a more tangible cultural shift, its foundation was built on an updated Mission Statement: Advance the lives of people we serve – in the communities where we invest. This refreshed direction will help to shape the perception of Copperfin, and guide every decision we make.

Our Members' Best Interests At Heart

2014 saw the re-introduction of the Copperfin member patronage program as we were able to share profits with members. Over \$500,000 has been shared in dividends, putting money back in our members' hands, where it matters most.

Evolving As We Grow

As Copperfin continues to evolve into a bigger, better organization, many processes and systems continue to be harmonized from the merger. At the forefront was the conversion of our banking system. While proving to be a larger hurdle than anticipated, we, and our members, persevered and overcame. The result? A stable product with long term sustainability that will result in a better financial service offering.

Strengthening Our Channels

Our lives are becoming more and more dependent on technology. To keep pace, we launched our new website in 2014. Complete with a cleaner look and feel and increased functionality and usability, it was a significant step to improve the overall member experience.

The 2013 merger provided a unique opportunity for our Thunder Bay branches: the redesign of the look and feel to align with a new name and a new brand. Ground was broken to change the interior and exterior appearance of all 3 branches, a project that will continue into 2015.

Further, our Commercial Services Department was given a new look and feel, including the addition of a new Administrative Assistant role in Thunder Bay.

Commitment To Efficiency

To ensure long term sustainability, a thorough review of branch viability was conducted, leading to the closures of 3 branches. In other regions, branch hours of operation were changed to meet the needs of the communities they serve.

None of our accomplishments would be possible without our dedicated, passionate Team Members.

An Operational Review of Business and Personal Services was completed to identify & implement efficiencies. Further to the physical changes to branches, outlined above, the role of Member Solutions Provider was implemented in Thunder Bay. This new role allows members that require lengthier meetings, such as opening accounts or more complex transactions, to sit down in an office with a designated team member. This ensured personal, in-depth service while freeing up Member Service Representatives to better assist other members.

Further harmonization of Human Resource initiatives such as a centralized back office, policies and total rewards were also realized.

Dedication To Our Team Members

None of our accomplishments would be possible without our dedicated, passionate Team Members. To ensure we continue to be the best employer we can be another annual Engagement Survey was completed.

The survey confirmed that our team members feel a strong connection to our communities, our members and their teammates, and maintain high job satisfaction and role clarity. Areas of focus in 2015 include morale, communication and transparency.

2014 also saw the successful negotiation of the Collective Bargaining Agreement between Copperfin and the union in Thunder Bay, in place until 2016.

LOOKING FORWARD TO 2015

Transformation

A new suite of Accounts will launch in the first half of 2015 that will simplify our overall product offering, ensuring we remain competitive in an increasingly challenging industry.

Collaboration

Our Member Survey will be re-introduced in 2015. After a challenging and eventful couple of years we are excited to understand firsthand what we're doing well, and what we could be doing better. Further improvements will continue to be made to ensure we're meeting our members' needs.

Growth

Further analysis of branch design & locations will be conducted with the goal of providing services where our members are now, and where they're going to be in the future. The Copperfin mobile app will launch in the first quarter of the year, providing the convenience our members expect and deserve.

BOARD OF DIRECTORS

BOARD COMMITTEES

	ATTENDANCE	AUDIT	CREDIT & MARKET RISK	EXECUTIVE COMMITTEE	GOVERNANCE	MEMBER & COMMUNITY RELATIONS
Dave Moscall CHAIR EX-OFFICIO COMMITTEE MEMBER	14/14	■	■	■ CHAIR	■	■
Simone Tarrant VICE-CHAIR	13/13	■	■	■	■ CHAIR	■
Kevin Burns DIRECTOR	17/19	■	■	■	■	■
Joan Drotar DIRECTOR	17/17	■	■	■	■	■
Paul Fregeau DIRECTOR	16/16	■	■ CHAIR	■	■	■
Scott Kennedy DIRECTOR	13/19	■	■	■	■	■
Harvey Longe DIRECTOR	18/19	■	■	■	■	■ CHAIR
Janet McCutchon DIRECTOR	17/17	■ CHAIR	■	■	■	■
Jim O'Hearn DIRECTOR	15/16	■	■	■	■	■
Doug Rushfeldt DIRECTOR	17/17	■	■	■	■	■
Catherine Smallwood DIRECTOR	14/17	■	■	■	■	■
Mary Wilson DIRECTOR	15/16	■	■	■	■	■

Board Committees

There are five standing committees responsible for carrying out both legislated and delegated functions.

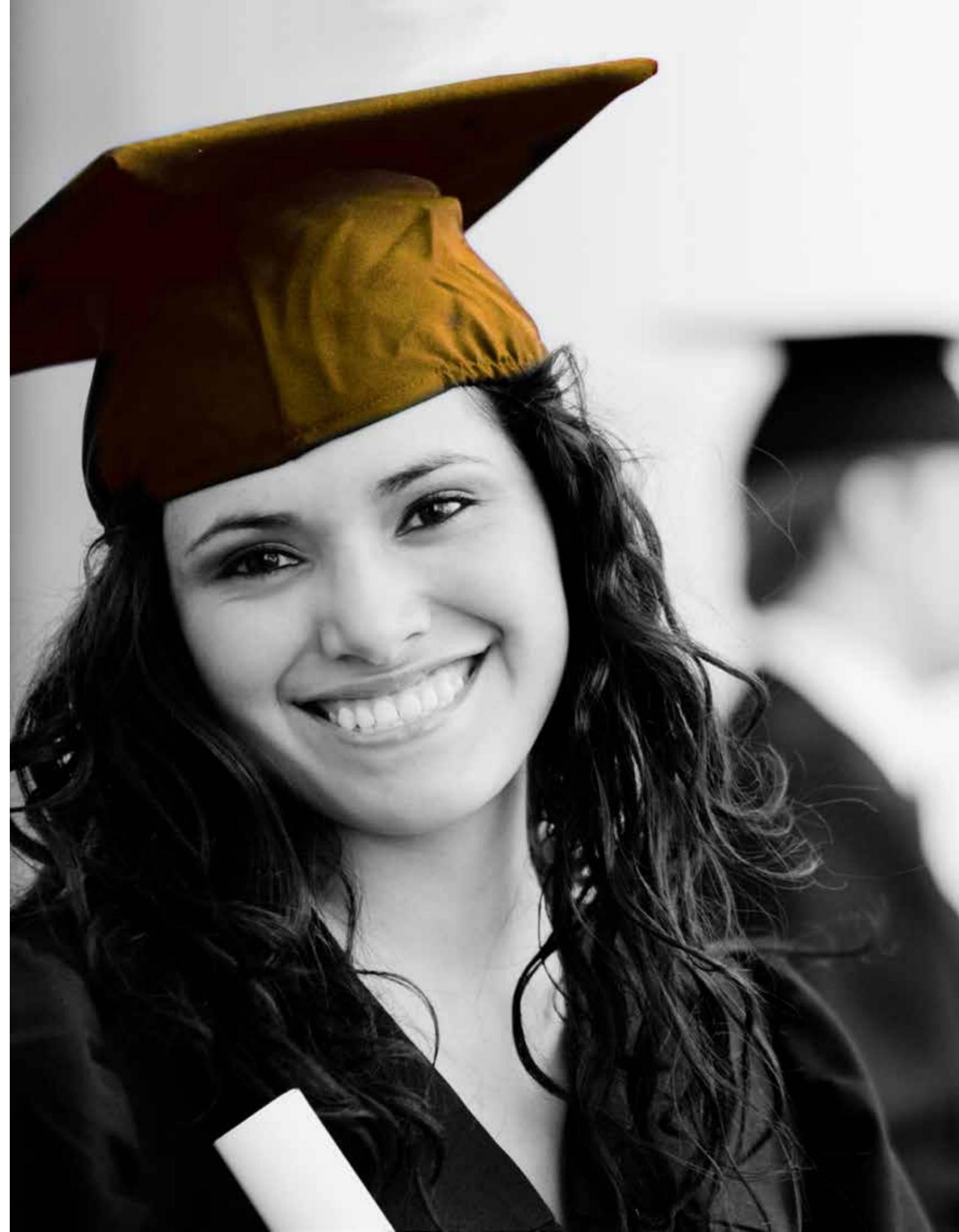
The **Audit and Operational Risk Committee** provides oversight of the financial reporting process, the audit process and the system of internal controls. The committee sets the context for an effective Enterprise Risk Management (ERM) framework and gains assurance that management has implemented appropriate systems and practices.

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

The **Executive Committee** assists the Board of Directors in the continuous fulfillment of its role by dealing with timely issues at the discretion of the Board or when the Board cannot be convened.

The **Governance, Ethics and Human Resources Policy Committee** develops and maintains effective practices that ensure high standards of corporate governance.

The **Member and Community Relations Committee** serves as the nominating committee and is responsible for developing a strong candidate pool. The committee ensures that the Credit Union develops and pursues objectives to maximize member engagement and foster self-reliant sustainable communities.



CORPORATE GOVERNANCE

Our Board of Directors has the authority and obligation to protect and enhance Copperfin's assets. The Board is accountable to the Credit Union and must conduct duties in the best interest of Copperfin as a whole. In order to be successful the Board recognizes that the Credit Union needs to be accountable to and strive to meet the needs of its stakeholders – our members.



The Board's principal duties include:

- Adopting and monitoring strategic and business planning processes and plans
- Overseeing the management of enterprise risk
- Establishing and upholding Copperfin's integrity, ethics and social responsibility
- Appointing, monitoring and compensating the Chief Executive Officer
- Overseeing integrity of internal controls system and management information
- Providing effective communication with stakeholders
- Establishing and maintaining effective governance practices

Composition Of The Board Of Directors

In compliance with Copperfin Credit Union bylaws, the Board is comprised of twelve directors, elected by the membership. The Board strives to have a diverse mix of expertise, and an appropriate blend of skill sets, knowledge and experience that fits with the organization's objectives and strategic goals.

Board Governance

Copperfin's Board of Directors continues to be dedicated to the highest standards of corporate governance. To provide for effective governance, the Board adopts processes that have integrity and have been developed with objectivity which can be held as good standards in the industry. Decisions by the Board are derived after sound deliberations in the best interests of the Credit Union.

Director Development

The Board of Directors is committed to director development, including individual director training and whole Board educational sessions. Each director, following the completion of annual self-assessment, develops an individual training program to advance their competency in specific subject areas and towards the attainment of the Credit Union Director Achievement (CUDA) designation. 2014's director development included industry related conferences, seminars, CuSource educational workshops, webinars and in-house training sessions.

Copperfin provides a comprehensive orientation program for a newly-elected director. The program is designed to help new directors become familiar with Copperfin's operations and governance practices allowing them to assume their responsibilities quickly, maximizing their potential contribution.

COMMUNITY

Copperfin and our team members are passionate about giving back to the communities where we live, work and serve.

Over the past year Copperfin has contributed

\$104,100

in support of numerous community initiatives, some of which include:

ECONOMIC DEVELOPMENT \$35,400	YOUTH \$29,150	SOCIAL WELLNESS \$16,650	HEALTHCARE \$11,450	FIRST NATIONS \$6,250	ENVIRONMENT \$5,200
<ul style="list-style-type: none"> Thunder Bay Waterfront District Harbourfront Concert Series Magnus Theatre Coney Island Music Festival Kenora Bass International Bay Street Film Festival 	<ul style="list-style-type: none"> Bursaries and laptops for local students continuing with post-secondary education Hockey Youth In Philanthropy high school groups Movie Night in the Park Gymnastics Public skates and swims 	<ul style="list-style-type: none"> Special Olympics Kenora Borealis Triathlon Shelter House Food bank matching grant program Miracle Marathon Kenora Substance Abuse and Mental Health Task Force 	<ul style="list-style-type: none"> Lake of the Woods Hospital Foundation Canadian Cancer Society Alzheimer's St. Johns Ambulance's Operation Red Nose Kenora Handi-Transit Health Science Centre Hippest Party in Town 	<ul style="list-style-type: none"> North American First Nation Hockey Tournament Aboriginal Day Nootkamegwanning-Pow-Wow Treaty 3 Golf Tournament 	<ul style="list-style-type: none"> Lake of the Woods Property Owners – Lake Smart Program EcoSuperior Commuter Challenge EcoSuperior Spring Up to Clean Up

We were also proud to participate in a couple of key partnerships.

Copperfin provided support to the **United Way** through various initiatives including employee payroll deduction, a Credit Union matching program, and the Sponsored Employee Program where a Copperfin team member was loaned to the United Way for 3 months.

The Credit Union was also the lead sponsor of initiatives to raise money for the **Kenora & Lake of the Woods Regional Community Foundation**, including the Festival of Trees, Youth in Philanthropy, and Random Act of Kindness Day. Further contributions were made through a staff endowment fund and support through volunteer initiatives.



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AUDIT & OPERATIONAL RISK COMMITTEE REPORT

The Credit Unions and Caisses Populaires Act (Ontario) and Section 27 of Ontario Regulation 237/09 mandate the requirement of an Audit Committee for Copperfin Credit Union. The committee's members are recommended to the Board through the Governance Committee based on skills and are elected annually at our reorganization meeting.

We would like to report that we have reviewed the audited financial statements for the year ending 2014 and confirm that they 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, with the following activities being undertaken in 2014:

- Education and training on the roles and responsibilities of the Audit Committee and best practices
- 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
- Reviewed all Audits by external stakeholders and approved Management's response to them for any identified areas of risk
- Undertook to update the Disaster Recovery Plan and implementation and schedule a test of this plan in 2015
- Undertook an RFP to examine our Internal Audit Function and controls
- Undertook an RFP for external accounting services for 2015-2017
- Reviewed and provided feedback to DICO on their proposed outlines for the Role of the Audit Committee and scope

We have exceeded the minimum requirements for the number of meetings held annually in fulfilling our mandate.

We report that all recommendations made by the Audit and Operational Risk Committee have been or are in the process of being implemented. We believe there are no issues to be reported to the members nor are there matters to be disclosed pursuant to the Act or Regulations thereto.

The Audit Committee had the full co-operation of Copperfin's management team, BDO, and especially Bev Beach, our internal auditor. 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





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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, 2014 and the summary statement of comprehensive income and summary statement of changes in members' equity for the year ended December 31, 2014, are derived from the audited financial statements of Copperfin Credit Union Limited for the year ended December 31, 2014. We expressed an unmodified audit opinion on those financial statements in our report dated March 5, 2015.

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, 2014 are a fair summary of those financial statements, on the basis described in Note 1.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants
Kenora, Ontario
March 5, 2015

Copperfin Credit Union Limited
Summary Statement of Financial Position
As At December 31, 2014

	2014	2013
Assets		
Cash and Cash Equivalents	\$ 4,280,546	\$ 14,707,065
Income Taxes Receivable	111,470	-
Investments	33,810,091	50,652,843
Derivative Financial Instruments	560,074	816,314
Member Loans	271,132,954	243,271,998
Property, Plant and Equipment	4,850,555	4,911,951
Intangible Assets	81,297	32,370
Other Assets	473,432	157,972
Deferred Income Tax Asset	458,648	472,300
	<u>\$ 315,759,067</u>	<u>\$ 315,022,813</u>
Liabilities		
Indebtedness to Central 1 Credit Union	\$ 5,004,432	\$ -
Income Taxes Payable	-	344,235
Member Deposits	282,507,420	288,183,126
Derivative Financial Instruments	505,295	749,894
Other Liabilities	1,854,750	1,650,978
	<u>289,871,897</u>	<u>290,928,233</u>
Members' Equity		
Members' Shares	5,740,108	6,054,319
Retained Earnings	19,634,546	17,568,981
Accumulated Other Comprehensive Income	512,516	471,280
	<u>25,887,170</u>	<u>24,094,580</u>
	<u>\$ 315,759,067</u>	<u>\$ 315,022,813</u>

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, 2014

	2014	2013
Interest Revenue		
Interest on Member Loans	\$ 12,372,963	\$ 10,541,623
Other Interest Revenue	759,773	746,846
	<u>13,132,736</u>	<u>11,288,469</u>
Interest and Loan Related Expenses		
Interest on Member Deposits	2,429,357	2,240,895
Impairment on Member Loans	330,496	334,471
	<u>2,759,853</u>	<u>2,575,366</u>
Financial Margin	10,372,883	8,713,103
Other Income	3,323,926	2,828,548
	<u>13,696,809</u>	<u>11,541,651</u>
Operating Expenses		
Deposit Insurance	203,035	157,995
Depreciation and Amortization	624,178	564,954
Director and Committee Expense	65,312	94,991
Distributions to Members	500,000	-
Employee Salaries and Benefits	5,680,925	5,071,218
Other Operating and Administrative	3,138,432	2,714,727
Occupancy	554,618	509,021
	<u>10,766,500</u>	<u>9,112,906</u>
Total Non-Interest Expenses	10,766,500	9,112,906
Income Before Income Taxes and Other	2,930,309	2,428,745
Provision (Recovery) for Income Taxes		
Current Income Tax	754,701	719,461
Deferred Income Tax (Recovery)	(1,214)	(190,869)
	<u>753,487</u>	<u>528,592</u>
Net Income for the Year Before Amalgamation	2,176,822	1,900,153
Gain on Amalgamation	-	6,973,736
Net Income for the Year	<u>\$ 2,176,822</u>	<u>\$ 8,873,889</u>
Other Comprehensive Income (Net of Tax)		
Items that May be Reclassified into Profit or Loss		
Change in Unrealized Gains on Available-for-Sale Investments	41,236	104,171
Total Comprehensive Income for the Year	<u>\$ 2,218,058</u>	<u>\$ 8,978,060</u>

Copperfin Credit Union Limited
Summary Statement of Changes in Members' Equity
For the Year Ended December 31, 2014

	Accumulated Other Comprehensive Income	Members' Shares	Retained Earnings	Total
Balance on December 31, 2012	\$ 367,109	\$ 4,988,116	\$ 8,811,050	\$ 14,166,275
Transfer from Superior	-	1,269,565	-	1,269,565
Net Income	-	-	8,873,889	8,873,889
Distribution to Members	-	-	(115,958)	(115,958)
Net Redemption of Members' Shares	-	(203,362)	-	(203,362)
Changes in Unrealized Gains on Available-for-Sale Investments	104,171	-	-	104,171
Balance on December 31, 2013	\$ 471,280	\$ 6,054,319	\$ 17,568,981	\$ 24,094,580
Net Income	-	-	2,176,822	2,176,822
Distribution to Members	-	-	(111,257)	(111,257)
Net Redemption of Members' Shares	-	(314,211)	-	(314,211)
Changes in Unrealized Gains on Available-for-Sale Investments	41,236	-	-	41,236
Balance on December 31, 2014	\$ 512,516	\$ 5,740,108	\$ 19,634,546	\$ 25,887,170

Copperfin Credit Union Limited
Notes to Summary Financial Statements
For the Year Ended December 31, 2014

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, 2014 and December 31, 2013 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, 2014 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, 2014 established by the provisions of the Credit Union and Caisses Populaires Act, 1994 of Ontario.

A skier in an orange jacket and black pants is climbing a snowy slope. The skier is wearing a large backpack with skis attached to the back. They are using two ski poles for balance. The background is a clear, bright sky.

Life Forward.

copperfin.ca