



# 2017 ANNUAL REPORT



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# Agenda

- Registration
- Welcome
- Call to Order
- Introduction of Guests, Board Members & Staff
- Adoption of Agenda
- Registration Report
- Approval of 71st Annual Meeting Minutes of March 7, 2017
- Chairman's Report to the Membership
- CEO's Report to the Membership
- VP, Finance & Risk Financial Performance Report
- Auditor's Report
- Approval of Committee Reports
  - Governance, Ethics & Human Resource Committee
  - By-law Change
  - Risk, Audit & Finance Committee
  - Credit Committee
- Nominating Committee Report
  - Introduction of New Directors
- Staff Service Awards and Director Recognition
- RCMP Community Initiative Award
- Question and Answer Period
- New Business
- Door Prize Draw
- Adjournment

# 71<sup>st</sup> Annual General Meeting Minutes of March 7th, 2017

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## Directors in Attendance:

Ray Hornbacher (Board Chair)  
Neil Fenske  
Adam Guiney  
Irène Bérubé  
Alice Chalifoux  
Mike Lowton  
Roy Eckert  
Lois Watson

## Staff Resources:

David Williamson (CEO)  
Brad Hopfauf (VP, Sales & Service)  
Cindy Bennett (VP, HR, Marketing & Communications)  
Norm Turtle (VP, Finance & Risk)  
Rachelle Woods (Recording Secretary)

Absent: Jim Higginson (excused)

## Call to Order:

The Annual General Meeting was called to order by Master of Ceremony Ms. Cindy Bennett, VP, HR, Marketing & Communications at 6:00 p.m.

Master of Ceremonies, Cindy Bennett introduced the Guests, Head Table, Board of Directors and staff.

## Approval of Agenda:

It was moved by Irène Bérubé and seconded by Alice Chalifoux that the agenda for the 71st Annual General Meeting be approved. - *Carried*

There were 83 members in attendance and 23 guests. The member attendance meets the quorum requirements of the Credit Union Act. Master of Ceremony Ms. Cindy Bennett declared the 71st Annual General Meeting official.

## Approval of Minutes:

Master of Ceremony Ms. Cindy Bennett pointed out an error in the meeting minutes. The meeting year should be 2016, not 2017. It was moved by Brad Hopfauf and seconded by Lois Watson that the minutes of the 70<sup>th</sup> Annual General Meeting of March 8, 2016 be approved as amended. - *Carried*

## Operations Report:

**1. Chairman's Report to the Membership** – Mr. Ray Hornbacher presented the Chairman's Report to the Membership on behalf of the Board of Directors.

### Highlights included:

- Financial Results
- Board Commitments
- Member & Community Services
- Beaumont Community Foundation – Mr. Hornbacher advised that we are now able to take a very important step forward with the community of Beaumont, and are pleased to announce that the Board and Management have been instrumental in incorporating a charitable foundation for the community. While Beaumont Credit Union does not own the foundation, we will donate our time and financial support, and we believe that the foundation will be a benefit to our community as a whole.

It was moved by Mike Lowton and seconded by Lucille Belzil that the Chairman's Report to the Membership for the year ending October 31, 2016 be approved. - *Carried*

**2. CEO's Report to the Membership** – CEO, Mr. David Williamson presented the CEO's Report to the Membership on behalf of Management.

It was moved by Bob Robinson and seconded by Tina Sutton that the CEO's Report to the Membership for the year ending October 31, 2016 be approved. - *Carried*

**3. VP, Finance and Risk Financial Performance Report** – VP, Finance and Risk, Mr. Norm Turtle presented the Financial Performance Report to the membership on behalf of Management.

**Highlights included:**

- Economic Overview
- Statement of Financial Position
- Statement of Income & Comprehensive Income
- Statement of Cash Flows
- Statement of Changes in Member's Equity

It was moved by Dawn Merkel and seconded by Tami Thompson that the Financial Performance Report for the year ending October 31, 2016 be approved. - *Carried*

### Committee Reports:

**1. Auditor's Report** – Mr. Chris Jurkschat of Mowbrey Gil presented the Independent Auditor's Report to the membership.

It was moved by Neil Fenske and seconded by Vosh Vickery that the Auditor's Report including the financial statements for the period ending October 31, 2016 be approved. - *Carried*

### 2. Approval of Committee Reports:

- Governance, Ethics & Human Resource Committee - It was moved by Roy Eckert and seconded by Adam Guiney that the Governance, Ethics & Human Resource Committee Report for the period ending October 31, 2016 be approved. - *Carried*
- Marketing and Member Relations Committee - It was moved by Dale Coté and seconded by Dan Chalifoux that the Marketing and Member Relations Committee Report for the period ending October 31, 2016 be approved. - *Carried*
- Risk, Audit and Finance Committee – It was moved by Jill Chalifoux and seconded by Irène Bérubé that the Risk, Audit and Finance Committee Report for the period ending October 31, 2016 be approved - *Carried*
- Credit Committee – It was moved by Brad Hopfauf and seconded by Lois Watson that the Credit Committee Report for the period ending October 31, 2016 be approved. - *Carried*

**Nominating Committee Report** – Ms. Irène Bérubé presented the Nominating Committee Report to the membership which included the election results.

There were three nominations received for three Board positions therefore the three members were elected by acclamation. The successful candidates Mr. Roy Eckert, Mr. Adam Guiney and Mr. Robert Robinson were introduced.

Mr. Roy Eckert and Mr. Adam Guiney were re-elected and Mr. Robert Robinson was newly elected, all for three year terms.

Thank you to outgoing Board of Director Lois Watson for her years of service as a Director for Beaumont Credit Union.

It was moved by Erin Neitz and seconded by Carol Strap that the Nominating Committee Report be approved. - *Carried*

### Service Awards and Recognition:

**Staff:** Mr. David Williamson and Ms. Cindy Bennett recognized the following staff celebrating years of service:

- Celebrating 1 Year – Armeen Khan
- Celebrating 5 Years – Glesie Maranan and Tami Thompson
- Celebrating 35 Years – Bernie LeBlanc

**Directors:** Mr. Ray Hornbacher presented retiring director Ms. Lois Watson with a gift for her years of service on the Board of Directors. Mr. Ray Hornbacher also presented Lois' spouse Mr. Case Watson with a gift.

**RCMP Community Initiative Award:** Mr. David Williamson presented Constable Bart Warner of the Beaumont RCMP Detachment with a cheque in the amount of \$1,000 for Beaumont RCMP Community Initiatives.

### Question and Answer Period:

- More information on the Beaumont Community Foundation
- Deposit Anywhere

### New Business:

There was no New Business

### Door Prize Draw:

- Winner of 2 Golf Passes donated by Colonial Golf & Country Club was Mr. Michael Ratledge
- Winner of Chartier Gift Card was Pierre Picard

### Adjournment:

It was moved by Alice Chalifoux and seconded by Dawn Merkel to adjourn the meeting at 7:00 p.m.

# Message from the Chair of the Board

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I am pleased to report on Beaumont Credit Union's operations for the year ending October 31, 2017. The Board of Directors recognize the continued economic challenges that our credit union has faced this past year and are pleased with the efforts and results achieved.

The Credit Union is in its second year of its three year strategic plan and the Board of Directors has dedicated much of its time working with management on key strategic objectives including balance sheet repositioning to reduce credit risk and growing our investment and deposit base which puts the credit union in a stronger position for the future. The role of the Board of Directors is to provide governance and oversight to management and this is supported through Board Committees including the Governance, Ethics and Human Resource Committee, the Risk, Audit and Finance Committee and the Executive Committee.

During the fiscal year, the loan portfolio declined by 9.8%, deposits grew by 3.4% and wealth management had net growth of 27.4%, which further validates our advisory focus with our membership. The hard work of the management and staff has enabled the Board of Directors to recommend a common share dividend of 2.3% or \$168,390 while at the same time ensuring our capital levels remain in a surplus position.

We continue to seek and receive feedback from our members and this past year was no exception. Feedback themes

have included concerns with rising interest rates from our borrowing members, higher paying deposit rates for our non-borrowers and more online tools to help with budgeting. We have listened and made every effort to ensure that we assist our borrowing members on having manageable payments, competitively pricing our deposits as part of building member relationships and in late 2017, we launched our online portfolio management tool. We continue to seek member feedback and will make every effort to add value to all of our members.

Beaumont Credit Union has been in this community for 71 years and while there have been many changes over the years we remain committed to our membership and community. As you may recall, last year we let you know that the credit union was instrumental in creating the Beaumont Community Foundation. Tonight we are pleased to announce that Beaumont Credit Union is donating \$10,000 to the Foundation. The Board of Directors of the Foundation will be accepting requests for funding in the June 2018 timeframe so please look forward to seeing details in an up and coming media release.

In closing, I would like to thank the members, management and staff for their continued support. The Board, Management and staff look forward to the opportunities that allow Beaumont Credit Union to be your local financial institution of choice.

# Message du Président du Conseil d'administration

Je suis heureux de vous faire rapport des opérations de la Caisse de Beaumont pour l'année se terminant le 31 octobre 2017. Le Conseil d'administration reconnaît les défis économiques continus auxquels a fait face notre Caisse l'année dernière et est satisfait des efforts et des résultats obtenus.

La Caisse en est à la deuxième année de son plan stratégique de trois ans et le Conseil d'administration a consacré la majeure partie de son temps à travailler avec la direction aux objectifs stratégiques clés comprenant le repositionnement du bilan pour réduire les risques du crédit et la croissance de nos investissements et nos dépôts ce qui met notre caisse dans une situation plus solide et enviable pour l'avenir. Le rôle du Conseil d'administration est de fournir la gouvernance et le contrôle à la direction et c'est appuyé par les comités du Conseil incluant le Comité de gouvernance, éthique et ressources humaines, le Comité des finances, vérification et risque et le Comité exécutif.

Pendant l'exercice financier, le portefeuille des prêts a diminué de 9,8 %, les dépôts ont augmenté de 3,4 % et la gestion du patrimoine a eu une croissance nette de 27,4 %, ce qui a confirmé l'avantage de nous concentrer encore plus sur la consultation avec nos membres. Le travail ardu de la direction et du personnel a permis au Conseil d'administration de recommander un dividende sur les actions ordinaires de 2,3 % ou 168,390 \$ tout en s'assurant que notre niveau de capital reste excédentaire.

Nous continuons à chercher et recevoir la rétroaction de nos membres et la dernière année n'a pas fait exception. Les thèmes de la rétroaction comprenaient les préoccupations

de l'augmentation des taux d'intérêt pour nos membres emprunteurs, les taux d'intérêts sur les dépôts pour nos membres qui n'empruntent pas et plus d'outils en ligne pour aider à faire un budget. Nous avons écouté et fait tous les efforts pour s'assurer d'aider nos membres emprunteurs à avoir des paiements raisonnables, avoir une tarification compétitive pour nos dépôts faisant partie de l'établissement de bonnes relations avec les membres et à la fin de 2017, nous avons inauguré notre outil de gestion de portefeuille en ligne. Nous continuons donc de rechercher la rétroaction des membres et ferons tous les efforts pour ajouter une valeur à tous nos membres.

La Caisse de Beaumont est dans cette collectivité depuis 71 ans et même s'il y a eu de nombreux changements avec les années, nous restons engagé envers nos membres et la collectivité. Vous vous souvenez probablement que l'an dernier nous vous avons appris que la Caisse avait pris l'initiative de créer la fondation Beaumont Community Foundation. Ce soir, nous sommes heureux de vous annoncer que la Caisse de Beaumont a donné 10 000 \$ à la Fondation. Le Conseil d'administration acceptera les demandes de financement pour la période allant jusqu'à juin 2018. Alors surveillez bien les détails qui seront dévoilés dans un prochain communiqué de presse.

En terminant, je veux remercier les membres, la direction et le personnel pour leur appui continu. Le Conseil, la direction et le personnel veut saisir toutes les possibilités qui permettront de faire de la Caisse de Beaumont votre institution financière locale de choix.

# Message from the CEO

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2017 has been a transformative year for the credit union. We continued to feel the impact of a slow economic recovery and the resulting effect on our membership. Our efforts for expense containment, increased non-interest revenue and balance sheet stability were achieved and will continue to be a focus for 2018. We are local and committed to building a strong credit union and the strategies implemented throughout 2017 have positioned us well for the future.

Our Service Leadership Strategy continues to evolve as we seek out ways to add value to our members. One of our key differentiators from our competition is that we are here in the community and we want to provide greater access to services to support our members living in and around Beaumont. This past year we have enhanced a number of strategic partnerships with the addition of CUMIS Insurance for Home and Auto insurance needs as well as Concentra Financial as a resource for members who have questions about their wills and estate plan. We believe that providing members local solutions will enable our members and community to continue to thrive and grow.

Member needs are constantly changing; the increased demand for advice, flexibility, convenience and lower cost banking products remain high. As a result we increased our investment in employee training to better serve you and are in the final steps of completing a review of all of our products to ensure

we remain competitive. Employees will continue to be a top priority with focus on advisory skill development.

Technology investment this past year has included enhancements to our banking system to support an easier member experience while maintaining a high focus on member confidentiality and security. Members continue to seek more robust online experiences and to meet this demand we have launched a major enhancement to our online banking platform.

Some of the new features include providing an improved view of members overall financial picture including the ability to have a consolidated view of member finances regardless of where their account is held. Furthermore members are able to set budgets and track where they are spending and saving. We are committed to provide our members with technological enhancements like these mentioned to make the banking experience with Beaumont Credit Union easier.

At this time I would like to extend my thanks to our employees for all your efforts; you are the faces of Beaumont Credit Union and we cannot be successful without you. To our Board of Directors, thank you for your commitment and governance. To our members, thank you for your continued support and patronage and we look forward to assisting you and your families as your credit union.

# Message du Directeur général

L'année 2017 en a été une de transformation pour la Caisse. Nous avons continué de ressentir l'impact d'une reprise économique lente et l'effet qu'il en a résulté sur nos membres. Nos efforts pour contrôler les dépenses, l'augmentation des revenus sans intérêt et la stabilité du bilan ont donné des résultats et nous continuerons de nous y concentrer encore en 2018.

Nous sommes une institution locale engagée à bâtir une caisse forte et les stratégies mises en oeuvre en 2017 nous ont bien positionné pour l'avenir.

Notre stratégie (Service Leadership Strategy) continue d'évoluer et nous cherchons des façons de donner de la valeur ajoutée à nos membres. Ce qui nous distingue de façon unique de nos concurrents c'est que nous sommes ici dans la collectivité et que nous voulons fournir un meilleur accès aux services bancaires pour aider nos membres vivant à Beaumont et dans les environs. Cette dernière année, nous avons amélioré un nombre de partenariats stratégiques avec l'ajout de l'assurance CUMIS pour vos besoins d'assurance auto et résidentielle ainsi que Concentra Financial comme ressource pour les membres qui ont des questions concernant leur testament et leur plan de succession. Nous croyons qu'en fournissant aux membres des solutions locales cela permettra à nos membres et à la collectivité de continuer à prospérer et croître.

Les besoins des membres changent constamment; les demandes accrues de conseils, flexibilité, commodité et produits bancaires à prix abordable sont nombreuses. Comme résultat, nous avons augmenté nos investissements dans la formation des employés pour mieux vous servir et nous sommes aux étapes finales de compléter la révision

de tous nos produits pour s'assurer qu'ils demeurent compétitifs. Les employés continueront d'être la principale priorité en se concentrant sur le développement des aptitudes de consultation.

L'investissement technologique, cette dernière année, comprenait l'amélioration de notre système bancaire pour appuyer une expérience plus facile pour nos membres tout en continuant à se concentrer sans relâche sur la confidentialité et la sécurité des transactions de nos membres. Les membres continuent à chercher des expériences en ligne plus solides et pour répondre à cette demande nous avons procédé à une amélioration majeure à notre plateforme bancaire en ligne.

Plusieurs de ces nouvelles fonctionnalités comprennent la présentation améliorée de l'ensemble du portrait financier que les membres peuvent consulter, incluant la capacité d'avoir un portrait consolidé des finances du membre indépendamment où est leur compte. En plus, les membres peuvent établir leur budget et trouver où ils dépensent et épargnent. Nous nous engageons à fournir à nos membres des améliorations technologiques comme celles mentionnées plus haut pour rendre l'expérience bancaire plus facile avec la Caisse de Beaumont.

Je profite de l'occasion pour remercier nos employés pour le bon travail constant; vous êtes les personnes de première ligne de la Caisse de Beaumont et nous ne pouvons pas réussir sans vous. Merci au Conseil d'administration pour votre engagement et votre gouvernance. Merci à vous, nos membres, pour votre appui constant et votre clientèle et, en tant que votre Caisse, nous espérons avoir le plaisir de vous aider ainsi que votre famille.

# Financial Performance Summary

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## Economic Update

The economy stabilized in 2017, albeit at a level of activity much lower than the peaks seen in 2014 and 2015. Unemployment stubbornly remains in the 8.5% range,<sup>1</sup> and gains in average weekly earnings have been modest at 0.8%.<sup>2</sup> Fortunately, the housing market was still fairly active, with house prices largely unchanged from the year before.

By all accounts, 2018 is expected to generate better returns with Gross Domestic Product (GDP) growth forecast in the 2.5% range. Risks to the forecast include the possibility of lower provincial government spending, a decrease in energy prices, and uncertainty in the real estate market as the Office of Superintendent of Financial Institutions (“OSFI”) has introduced further stress testing measures designed to ensure a more orderly real estate market.

## Balance Sheet

Member loans decreased by \$19.7 Million which represents a 9.8% decrease from 2016. This was due to strategic positioning of the balance sheet to reduce credit risk and improve the credit union’s loan to deposit ratio from 98% to 85%. With a stronger forecast the credit union is now in a good position to build sustainable, profitable growth in the lending portfolio.

Investments increased from \$21.8 Million to \$43.9 Million. Proceeds from repaid loans and increased deposits were firstly used to retire the term loan from Alberta Central and then invested in guaranteed-short term securities.

Member deposits increased \$7 Million which helped to build a strong liquidity position and supports a renewed lending program as referenced above.

## Capital

Total capital reduced by \$261,000 as the net reduction in member shares was \$556,000. Common Share redemptions were higher than normal in 2017 as members withdrew these funds to meet their on-going cash-flow requirements. Capital remains in a surplus position relative to regulatory requirements.

## Income Statement

Financial margin decreased \$324,160 (6.5%), which is consistent with the reduction in member loans. Other income increased 3.7% (\$36,473) as we were more diligent in collecting scheduled fees to support member transactions.

The provision for loan impairment increased from \$6,605 to \$331,118. Approximately two-thirds of this provision is related to a portfolio of consumer loans that was purchased between 2011 and 2015. Further discussion of this item is provided in the Credit Committee Report.

Operating expenses were reduced by \$166,528 (3.4%), including savings in member security costs because the insurance premium paid to the regulator to compensate for the provincial guarantee was reduced.

The credit union recorded net income before tax of \$698,275 and paid a dividend of 2.3% on outstanding common shares as at the record date of October 31, 2017.

## Outlook

With a better economic forecast and a strong financial position Beaumont Credit Union is well positioned for growth in 2018.

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1 City of Edmonton, Economic Indicators: Economic Developments, Q2 2017

2 Finance Alberta, 2017-18 Second Quarter Fiscal Update and Economic Statement, November 2017

# Community Investment Report

Beaumont Credit Union, as a cooperative, supports sustainable development by making meaningful contributions in the community we call home. We believe in the power of community and the potential of the people who live here. That's why each year the credit union invests some of its earnings into a number of worthwhile causes that focus on youth, education and the community.

During the period November 1, 2016 to October 31, 2017 Beaumont Credit Union contributed to the community through a variety of ways as follows:

*Beaumont Business Association*

*Beaumont School of Dance*

*Chantel Bérubé Youth Centre*

*Beaumont Credit Union Blues Run*

*Beaumont Ringette Association*

*Drugs & Addiction Magazine* – Ecole Dansereau Meadows and Beaumont Composite High School

*Henri Gobeil Scholarship*

*Town of Beaumont* – Public Skate

*Royal LePage*

*Beaumont Ag Society* – Rural Roots Fair

*RCMP Positive Ticketing*

*Beaumont Dream Cruisers*

*Beau Meadow Star Student Program*

*Club Beaumont* – Community Family Bonspiel

*Beaumont Columbus Alberta Association*

*Beaumont and District Lions Club*

*Beaumont Kin Club* – Cystic Fibrosis Walk

*Beaumont Chiefs*

Our employees continue to be a vital part of our organization and in addition to the financial support provided by the credit union, our staff volunteer and participate in activities throughout the year to support events and organizations within the community.

Beaumont Credit Union has played a part in many community milestones by giving back through financial support to many local community groups, we are proud to say we have invested in the people, organizations and the community that has invested in us. We thank our members for their continued support and look forward to serving you into the future.

# Governance Ethics and Human Resource Committee Report

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The Governance, Ethics and Human Resource (GEHR) committee's responsibility is to assist the Board of Directors with developing corporate and human resource policies, and to execute strategy as instructed. Through the use of committees, the Board of Directors is able to direct research and have "homework" done that gives meaningful background for decision making.

Based on this research, the committee then makes recommendations to the entire Board of Directors for approval. The five directors for the fiscal year ending October 31, 2017 were Mr. Roy Eckert (chair), Mr. Adam Guiney, Mr. Bob Robinson, Ms. Alice Chalifoux and Ms. Irène Bérubé. Our resource person was Ms. Cindy Bennett, VP, HR, Marketing and Communications. The Committee met 8 times.

This has been a busy year for the GEHR committee. We have spent a significant amount of time updating our HR and Governance policies. This included streamlining existing policies to make them more readable and effective in our current environment. This allows our management team

greater flexibility, while still leaving the Board of Directors "in control" of the overall direction.

Another major project the Committee was responsible for was the compensation strategy. This review began in 2016 and continued to take a significant amount of our meeting time during the year. Because this is a strategy that affects our entire organization we are moving very carefully and testing the results starting with the CEO position to analyze how successful the work has been.

The responsibilities of our Board of Directors are changing, and in many ways becoming more complex. We spent time reviewing and updating the Board of Directors roles and responsibilities. We looked at a board assessment tool to assess the skillset of the current Board of the Directors and the required training and also considered our board recruitment tactics with the goal of having the knowledge base, and the training to be able to function as an effective board.

I would like to thank the Board of Directors, staff and management for their participation and support this year.

## Notice of By-law Change

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The Board of Directors will be recommending a change to by-law 7.20 Board of Directors as follows:

This by-law presently establishes the size of Board of Directors and currently reads:

- The Board of Directors shall consist of 9 persons duly elected by the members.

The proposed amendment as approved by the Board of Directors reads:

- The Board of Directors shall consist of no less than 7 persons and up to 9 persons.

This change allows the Board of Directors:

- Flexibility if there is not enough interest in a Board of Director position from the membership at large, and/or
- The candidate's skillset does not meet the requirements identified by the Board of Directors based on the board assessment tools used to identify potential skill gaps.

# Risk, Audit and Finance Committee

The Risk, Audit and Finance (RAF) Committee is required by the Credit Union Act and consists of five directors appointed by the Board. The RAF Committee oversees the design, implementation and reporting of internal controls to support the risk management framework, the integrity of financial reporting and compliance with regulatory matters. The five directors for the fiscal year ending October 31, 2017 were Mr. Bob Robinson (chair), Mr. Jim Higginson, Dr. Neil Fenske, Ms. Alice Chalifoux and Mr. Mike Lowton. Our resource person as of October 31, 2017 was Mr. Norm Turtle, VP, Finance and Risk. The Committee met 12 times in the last fiscal year.

A significant undertaking of the RAF Committee was overseeing the implementation of the Enterprise Risk Management (ERM) framework approved in 2016. The committee reviewed the quarterly reporting of ERM information commencing in the third quarter and exercised due diligence in reviewing those areas that were outside of the established risk thresholds, ensuring that management had adequate contingency plans in place.

Within the three specific areas of responsibility, our significant undertakings in each area were as follows:

## Risk

The RAF Committee assisted the Board in fulfilling its oversight responsibilities regarding safeguarding of assets and member deposits, compliance with laws, regulations and governing

policies and financial risks. We review and challenge, where appropriate, various reports supplied by management to ensure that appropriate risk management processes are in place. This includes testing organizational positioning in the event of interest rate changes with the assistance of Concentra Financial.

## Audit

In 2017, we worked with the PRA Group to perform our internal audit function. The committee was very pleased with the quality of the reports and recommendations received from the PRA Group. The committee oversees management's responses to the recommendations contained therein. We also received and reviewed the audited year-end financial statements as prepared by our external auditors, Mowbrey Gil.

## Finance

The RAF Committee provides oversight on the reporting of the financial results. As financial reporting becomes more complex, the RAF Committee ensures that the financial statements are understood. The RAF Committee would like to thank the Board, staff, management and the auditors for their assistance and recommendations through this past year.

# Credit Committee Report

The Board of Directors of Beaumont Credit Union is assigned lending limits by the Credit Union Deposit Guarantee Corporation. In turn, the Board delegates responsibility for the Credit Committee function to senior management. The Credit Committee is responsible for ensuring that loans are granted in alignment with the lending policies and procedures.

In 2017, loan balances decreased \$19.8 million, a 9.8% drop from 2016. This is attributed to the following:

- A deliberate adjustment to reduce the credit risk of the portfolio, including the payout of a number of loans where the risk had deteriorated.
- A strategic adjustment to the balance sheet to enhance the alignment between the level of deposits and loans.
- Lower economic activity and employment dampening new underwriting prospects.

2017 was a difficult year for credit conditions as unemployment levels remained elevated, and real estate valuations were stressed as a result of lower economic activity and policy changes introduced by the Federal Government.

Net loans written off increased from \$121,822 to \$275,583 and the provision for impaired loans increased to \$331,118. Approximately one-third of the loan losses were related to normal collection activity, including \$40,000 in non-recurring fraud losses. Delinquency has increased to 1.45% which includes one syndicated loan responsible for 0.50% of this component. The collateral security for this loan is deemed sufficient to retire the obligation and therefore no loss is expected. The remaining accounts all have action plans in place, and 2018 losses are therefore expected to normalize.

Two-thirds of the provision is related to a portfolio of loans originated through a third party lending arrangement. The broker involved was placed in receivership in July 2017.

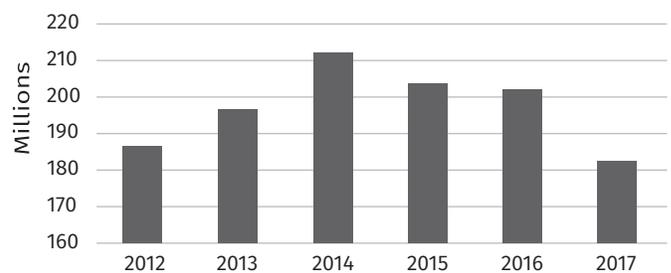
This receivership did not impact the credit quality of the underlying loans, however provisions for loss were taken to reflect Beaumont Credit Union’s proportionate share of receivership costs.

The provision also includes a reserve for losses that Beaumont Credit Union may incur when the underlying loan accounts are paid ahead of schedule. Previously, when loans were prepaid, the broker remitted the valuation difference to the Credit Union. The receivership absolves them of this responsibility.

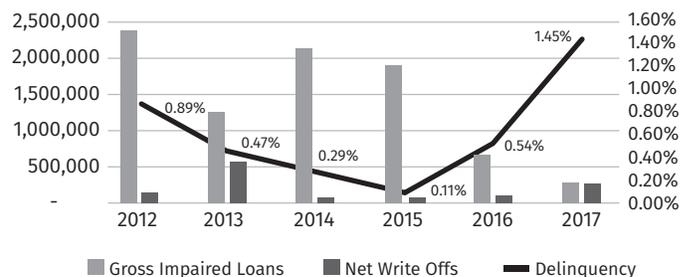
The administration of these loans have now been moved out of receivership, which will significantly reduce the third party costs associated with the management of the portfolio. Total loans outstanding in this portfolio are \$2,242,000, and 52% of this portfolio is scheduled to be repaid over the next two years.

We anticipate an improved economic outlook in 2018 will increase demand for lending. The adjustments we have made to the loan portfolio position us well to take advantage of this stronger environment.

Loan Balances



Portfolio Performance



# Management's Responsibility for Financial Reporting

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The summary financial statements of Beaumont Credit Union Ltd. and all other information contained in the annual report are prepared and presented by management, which is responsible for their accuracy, objectivity and completeness. This responsibility includes presenting the statements in accordance with International Financial Reporting Standards. The preparation of the statements necessarily involves the use of estimates, which are made using careful judgment.

Management is responsible for maintaining a system of internal controls designed to provide reasonable assurance as to the reliability of financial information and the safeguarding of assets.

The Board of Directors has the ultimate responsibility for these summary financial statements. The Board of Directors oversees management's responsibilities for financial reporting through a Risk, Audit & Finance Committee, which is composed entirely of directors who are not officers or employees of Beaumont Credit Union Ltd. The Committee reviews the financial statements and recommends them to the Board of Directors for approval.

To carry out its duties, the Risk, Audit & Finance Committee reviews the annual financial statements, as well as issues related to them. The Risk, Audit & Finance Committee also assesses the effectiveness of internal controls over the accounting and financial reporting systems. The Risk, Audit & Finance Committee's review of financial reports includes an assessment of key management estimates and judgments material to the financial results.

The external auditor, appointed by the Board of Directors, conducted an audit of these financial statements in accordance with Canadian generally accepted auditing standards. The external auditor has full and unrestricted access to the Risk, Audit & Finance Committee to discuss their audit findings as to the integrity of Beaumont Credit Union Ltd.'s financial reporting and adequacy of internal controls.

Mowbrey Gil LLP Chartered Professional Accountants has examined these summary financial statements and their report follows.



**Mr. David Williamson, Chief Executive Officer**

Beaumont, Alberta  
December 21, 2017

# Independent Auditor's Report

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To the Members of Beaumont Credit Union Ltd.

The accompanying summary financial statements of Beaumont Credit Union Ltd., which comprise the summary statement of financial position as at October 31, 2017 and the summary statements of income and comprehensive income, changes in members' equity and cash flows for the year ended, are derived from the audited financial statements of Beaumont Credit Union Ltd. for the year ended October 31, 2017. We expressed an unmodified audit opinion on those financial statements in our report dated December 21, 2017.

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

## Management's Responsibility for the 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 Auditing Standards ("CAS") 810, "Engagements to Report on Summary Financial Statements".

## Opinion

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



CHARTERED PROFESSIONAL ACCOUNTANTS  
Edmonton, Alberta  
December 21, 2017

Beaumont Credit Union Ltd.  
Statement of Financial Position  
October 31, 2017

	2017	2016
<b>Assets</b>		
Cash and cash equivalents	\$ 4,443,378	\$ 5,346,286
Member loans receivable and accrued interest	181,537,788	201,303,820
Investments and accrued interest	43,960,148	21,829,531
Income taxes recoverable	102,506	49,670
Other assets	1,273,740	1,105,247
Foreclosed properties held for resale	-	404,315
Property and equipment	2,807,985	2,919,217
Intangible assets	157,282	245,198
	<b>\$234,282,827</b>	<b>\$233,203,284</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 445,990	\$ 371,304
Derivative financial liabilities	1,022,243	765,225
Member deposits and accrued interest	212,968,119	205,940,554
Term loan	-	6,000,000
Deferred tax	20,399	38,798
	<b>214,456,751</b>	<b>213,115,881</b>
<b>Contingent liabilities and commitments</b>		
<b>Members' equity</b>		
Member shares	7,270,467	7,826,267
Common share dividend	99,322	180,346
Retained earnings	12,456,287	12,080,790
	<b>19,826,076</b>	<b>20,087,403</b>
	<b>\$234,282,827</b>	<b>\$233,203,284</b>

**On behalf of the Board**

 Director

 Director

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

Beaumont Credit Union Ltd.  
Statement of Income and Comprehensive Income  
Year Ended October 31, 2017

	2017	2016
<b>Interest income</b>		
Member loans	\$ 6,719,945	\$ 7,343,387
Investments	400,840	332,660
	<u>7,120,785</u>	<u>7,676,047</u>
<b>Interest expense</b>		
Member deposits	2,438,989	2,649,474
Interest on financing	42,206	62,823
	<u>2,481,195</u>	<u>2,712,297</u>
<b>Financial margin</b>	<u>4,639,590</u>	<u>4,963,750</u>
<b>Other income (expense)</b>		
Service and other charges	993,872	957,129
Provision for loan impairment	(331,118)	(6,605)
	<u>662,754</u>	<u>950,524</u>
<b>Operating expenses</b>		
Personnel	2,518,739	2,375,950
General	1,415,868	1,576,560
Occupancy	254,586	255,809
Member security	230,243	396,650
Organization	184,633	165,628
	<u>4,604,069</u>	<u>4,770,597</u>
<b>Income before income taxes</b>	<u>698,275</u>	<u>1,143,677</u>
<b>Income taxes</b>		
Current	218,000	287,000
Deferred	(18,399)	6,123
	<u>199,601</u>	<u>293,123</u>
<b>Net income and comprehensive income for the year</b>	<u>498,674</u>	<u>850,554</u>

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available from the Credit Union.

Beaumont Credit Union Ltd.  
Statement of Changes in Members' Equity  
Year Ended October 31, 2017

	Member shares	Common share dividend	Retained earnings	<b>Total</b>
<b>Balance, October 31, 2015</b>	\$ 7,796,710	\$ 182,956	\$ 11,363,746	<b>\$ 19,343,412</b>
Net income and comprehensive income for the year	-	-	850,554	<b>850,554</b>
Issuance of member shares	536,584	(182,956)	-	<b>353,628</b>
Redemption of member shares	(507,027)	-	-	<b>(507,027)</b>
Common share dividend	-	180,346	(180,346)	-
Tax recovery on common share dividend	-		46,836	<b>46,836</b>
<b>Balance, October 31, 2016</b>	7,826,267	180,346	12,080,790	<b>20,087,403</b>
Net income and comprehensive income for the year	-	-	498,674	<b>498,674</b>
Issuance of member shares	291,166	(180,346)	-	<b>110,820</b>
Redemption of member shares	(846,966)	-	-	<b>(846,966)</b>
Common share dividend		99,322	(168,390)	<b>(69,068)</b>
Tax recovery on common share dividend	-	-	45,213	<b>45,213</b>
<b>Balance, October 31, 2017</b>	<b>\$7,270,467</b>	<b>\$99,322</b>	<b>\$12,456,287</b>	<b>\$19,826,076</b>

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

## Beaumont Credit Union Ltd.

Statement of Cash Flows  
Year Ended October 31, 2017

	2017	2016
<b>Operating activities</b>		
Net income and comprehensive income for the year	\$ 498,674	\$ 850,554
Items not affecting cash:		
Amortization	230,825	234,559
Deferred taxes	(18,399)	6,123
	711,100	1,091,236
Changes in non-cash working capital:		
Accounts payable and accrued liabilities	74,686	(251,477)
Income taxes payable	(52,836)	(10,722)
Other assets	(168,493)	(359,613)
Derivative financial liabilities	257,018	454,431
	110,375	(167,381)
	821,475	923,855
<b>Investing activities</b>		
Purchase of property and equipment	(20,900)	(37,158)
Purchase of intangible assets	(10,777)	(37,366)
Net change in member loans receivable and accrued interest	19,766,032	1,518,856
Foreclosed properties held for resale	404,315	(404,315)
Net sale (purchase) of investments	(22,130,617)	13,455,530
	(1,991,947)	14,495,547
<b>Financing activities</b>		
Net change in member deposits and accrued interest	7,027,565	(24,468,842)
Net proceeds from term loan	(6,000,000)	6,000,000
Net increase (decrease) in member shares	(636,824)	26,941
Common share dividends paid, net of tax recovery	(123,177)	(133,510)
	267,564	(18,575,411)
<b>Decrease in cash flow</b>	<b>(902,908)</b>	<b>(3,156,009)</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>5,346,286</b>	<b>8,502,295</b>
<b>Cash and cash equivalents - end of year</b>	<b>\$ 4,443,378</b>	<b>\$ 5,346,286</b>
<b>Cash flows supplementary information</b>		
Interest received	\$ 7,120,946	\$ 7,675,285
Interest paid	\$ 2,473,730	\$ 2,648,980
Income taxes paid	\$ 168,646	\$ 276,278

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

# Beaumont Credit Union Ltd.

## Notes to Financial Statements Year Ended October 31, 2017

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### 1. Basis of presentation

These summary financial statements have been derived from the financial statements of Beaumont Credit Union Ltd. (the “Credit Union”) for the year ended October 31, 2017, which were prepared in conformity with International Financial Reporting Standards (“IFRS”).

The criteria developed by management for the preparation of the summary financial statements is as follows: that the information included in the summary financial statements is in agreement with the related information in the complete financial statements, and that the summary financial statements contain the information necessary to avoid distorting or obscuring matters disclosed in the related complete financial statements, including the notes thereto, in all material respects.

A full set of the financial statements including significant accounting policies and other explanatory information is available from the Credit Union.

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