



We are you

Annual Report
2017



OUR MISSION STATEMENT

Vanguard Credit Union is a **progressive** financial institution focused on the well-being of its members and staff. We are committed to **local** ownership, local management and enabling economic development in the communities we serve. We do this by providing **personal**, professional service to our members and taking an active role in supporting and strengthening the social fabric of the region.

VISION STATEMENT

Vanguard Credit Union will be the financial institution of choice in West-man region.

CO-OPERATIVE PRINCIPLES

Vanguard Credit Union is a Co-operative organization and as such subscribes to the Co-operative Principles of:

1. Voluntary and Open Membership
2. Democratic Member Control
3. Member Economic Participation
4. Autonomy and Independence
5. Education, Training and Information
6. Co-operation among Co-operatives
7. Concern for Community





TABLE OF CONTENTS

Our Board of Directors.	4 - 5
Board Report.	6
CEO Report.	7 - 8
Auditors Report	9 - 13
Our Community	14 - 15
Our People.	16 - 17
Insurance Agencies.	18

OUR BOARD OF DIRECTORS

GUY HUBERDEAU, President

start term **1999** | **2018** end term



What I have enjoyed the most about being a director with VCU is all the people I have met over the years and friendships I've made, especially all the directors I had the privilege to work with. Being able to go to different Credit Union functions and conferences, and networking with other credit union people have also been a big part of what makes being a director enjoyable.

2017 Committees: Credit Union Liaison

MARGARET HODGSON, 1st Vice President

start term **2012** | **2018** end term



What appealed to me about becoming a Credit Union Director is that I love to learn... Even though I had been a member of a credit union since I was a teenager, I did not really know anything about it. As an accounting professional and an elected official in the community, I was always aware of the role it played in the financial affairs of its members, but wanted to understand what made a credit union different than a bank. When I was approached to run for the Board, it was just the right time in my life, so I said yes. I believe serving on any Board of Directors is an important contribution to the community, but in order to make a valuable contribution, one must understand the entity. I joined in 2012, and I had no idea how difficult and interesting the learning curve would be! I still learn something new each meeting, and love the challenge of being a Director!

Committees: Audit Committee, Governance/Nominating Committee

PAUL ORSAK, 2nd Vice-President

start term **2004** | **2018** end term



The fast paced changes in the financial services sector means your Credit Union continually faces new and evolving competitive pressures. I am proud that the Board and management have met these challenges head on, and we will continue to do so with clear vision and a commitment to the long term sustainability of financial services for our communities and members.

Committees: Governance/Nominating Committee Chair, CU Liaison

The directors elected to move forward with the Board of the newly amalgamated Credit Union with Catalyst Credit Union are: Guy Huberdeau - Chairperson, Margaret Hodgson, Paul Orsak, Garry Smart

BRENT STRACHAN, Directorstart term **2013 | 2018** end term

Originally I wanted to become a director of Vanguard Credit Union to ensure that my community had a voice in the operations of the credit union. I quickly realized that the best thing for my community and all members was to ensure that the credit union, as a whole, was successful and sustainable for the long term.

Committees: Audit Committee, Building Committee, CU Liaison

MICHAEL KNIGHT, Directorstart term **2013 | 2018** end term

I was born and raised in the Hamiota area and our credit union has always been there for me and our community. I take a significant interest and involvement in challenges that face small communities, and as such I serve on multiple Boards as a way to both strengthen and support the social fabric of our region. The success of our communities involves a strong and stable Credit Union and it is with pleasure that I contribute to our vibrant and progressive Board of Directors at Vanguard in order to provide the best for our membership.

Committees: Policy Committee, Building Committee

GARRY SMART, Directorstart term **2009 | 2018** end term

My wife and I are from the Brandon area and it has been my pleasure to call this community home and to raise our family here. It has been my good fortune to operate two successful businesses throughout my career. One of the reasons I was attracted to the Board of Directors for Vanguard Credit Union is because I know firsthand how important a strong Credit Union partner is to the success of a small business owner. Now that I approach semi-retirement I enjoy sharing my knowledge and learning from my fellow Board members as we work together to serve you, and the future of our credit union.

Committees: Audit Committee, Building Committee, CU Liaison

JAY WOLOSKI, Directorstart term **2015 | 2018** end term

As a young business owner I was very interested in becoming a director, to help myself understand business more and to give my input to the board of directors. Being the youngest of the 7 directors I felt that I would bring a different aspect to ideas and be able to help with VCU decisions. Being a board member and on my third year I have learnt so much from the rest of the directors. Our CEO and VP's have also taught me so much and it's amazing to discover how lucky we are to have such talented individuals in Vanguard. Everyone plays a special role and it makes me so proud to be a part of it.

Committees: Governance/Nominating Committee, Building Committee



BOARD OF DIRECTORS REPORT

Back L-R Paul Orsak, Brent Strachan, Michael Knight
Front L-R Guy Huberdeau, Margaret Hodgson
Missing Jay Woloski, Garry Smart

On behalf of the Board of Directors of Vanguard Credit Union, it is my pleasure to present our annual report for the fiscal year 2017. This was a busy year for us with merger talks consuming a large part of our time. The primary objective of the merger is to build on the strengths of both organizations, to improve member service and experience, deliver expanded product offerings, enhance career opportunities for employees, and drive greater operational efficiencies and cost savings through economies of scale.

The new organization will combine the vision, people, branches and capability of two compatible and successful organizations. Its broader geography will provide members increased access to branches. As well, its larger deposit base will support a wider range of services and products.

Both financial institutions are community based and dedicated to helping their members achieve prosperity through a personalized blend of banking, loans, investments and insurance.

We are very excited by the opportunities that a merger of these two credit unions will bring. We have very similar business philosophies and plans for future growth. This is potentially a huge win for both our members and employees, and an exciting new financial choice for people across the province.

We would like to thank the directors who will be stepping down from the Board, Brent Strachan, Jay Woloski and Michael Knight, your expertise and dedication will be greatly missed, it has been a pleasure working with all of you over the years.

I would especially to congratulate and express gratitude to our retiring CEO Ian Gerrard. The tremendous success we have enjoyed and benefited from as members of Vanguard Credit Union is due in no small part to the dedication, guidance, and commitment Ian provided during the nearly 12 years he spent at the helm of our organization. He was tireless in his efforts to serve members, mentor employees, and work cooperatively with your Board of Directors. We have all been professionally and personally enriched because of Ian's professionalism and example. Words cannot adequately express the sincerity my fellow board members and I feel as we say "thank-you" to Ian for the years of loyal service and the exceptional leadership he provided to Vanguard Credit Union.

Finally, on behalf of the Board of Directors I would like to thank the Executive and the entire Staff for all your hard work and enthusiasm. You helped make the merger happen. I would also like to thank our members for your support and loyalty to Vanguard Credit Union. Together we can do more.

Guy Huberdeau, Board of Directors - President

CEO REPORT

On behalf of the entire organization I would like to extend my thanks and congratulations to all members, employees and directors for making 2017, our 75th year a success. This is only possible because of the loyalty and support of our 12,000 members and the dedication and hard work of our team.

Financially Vanguard Credit Union had a solid year in 2017. Total assets grew from \$455 million to \$484 million representing growth of 6.3%, just above our target level of 5-6%. Member loans increased by \$35 million to \$422 million (9.1%) while deposits grew by \$15 million to \$419 million (3.6%). With several consecutive years of strong financial performance Vanguard's total equity position has grown to the point where we now comfortably meet the increased capital requirements. This strong financial position has allowed the board of directors to maintain preferred share dividends and resume general patronage allocations of \$400,000. The board has also approved a \$359,000 cash redemption of surplus shares. This amount represents approximately 25% of shares held by retirement age members. With these dividend allocations Vanguard Credit Union's equity increased by just under \$2 million to \$34.3 million. This represents total capital of 7.08% of assets down slightly from 7.14% last year.

2017 was a milestone year for Vanguard Credit Union. Thirty years after Vanguard was formed by a partnership between Foxwarren and Rosssburn Credit Unions our Membership has approved a new partnership with Catalyst Credit Union. This partnership of two very similar credit unions creates a new organization that is even stronger and more capable organization to serve our members. Together we now have an 18 branch network in western Manitoba, 4 insurance offices, wealth management and real estate services. With a staff of around 200 great people excited to help our 30,000 members I know this will truly be a great organization!

After 35 years in the credit union system as both a director and employee, I have made the decision to retire. As I say farewell I would like to take the opportunity to thank all of the people who have made our organization strong and successful. At Vanguard we have worked hard to improve the organization and invest in the future. Change means leaving your comfort zone, taking risks and making some mistakes. I appreciate the steadfast leadership of our board of directors as they have always encouraged us and supported a progressive path. I have also had the privilege of working with a fantastic management group and staff. All of these people work very hard and truly do care about the success of the credit union, our members and one another. Thank you all. To our members, please accept our sincere thanks for your support.

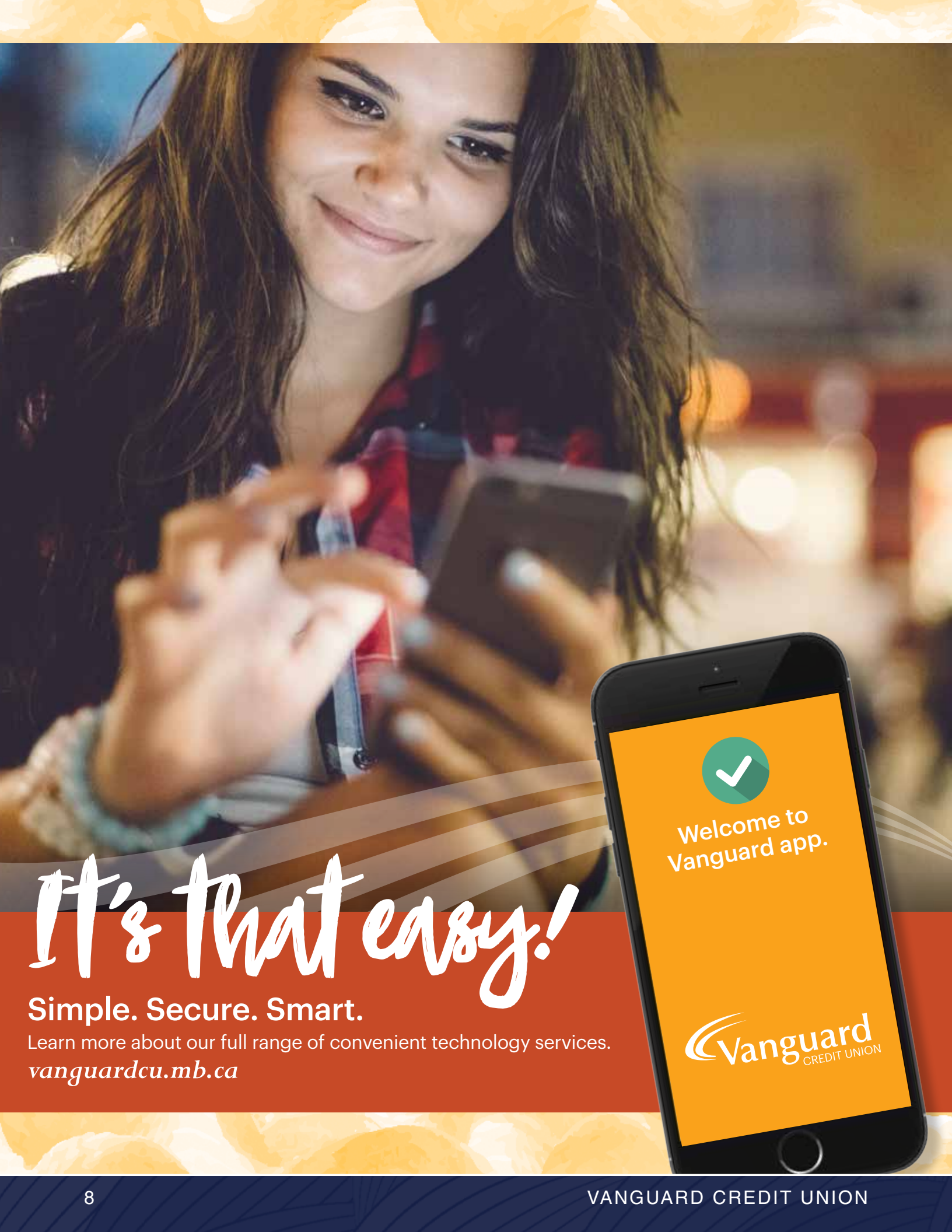
Sincerely,



Ian Gerrard
CEO
Vanguard Credit Union Ltd.



Ian Gerrard, CEO



It's that easy!

Simple. Secure. Smart.

Learn more about our full range of convenient technology services.

vanguardcu.mb.ca



Independent Auditors' Report

To the Members of Vanguard Credit Union:

The accompanying summary consolidated financial statements of Vanguard Credit Union and its subsidiaries, which comprise the summary consolidated statement of financial position as at December 31, 2017, and the summary consolidated income statement, statements of changes in members' equity and cash flows for the year then ended are derived from the audited consolidated financial statements of Vanguard Credit Union Limited for the year ended December 31, 2017. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated February 27, 2018.

Management's Responsibility for the Summary Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these summary consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these summary consolidated financial statements, derived from the audited consolidated financial statements of Vanguard Credit Union Limited for the year ended December 31, 2017 are a fair summary of those consolidated financial statements.

Report on Other Legal and Regulatory Requirements

As at December 31, 2017, the Credit Union met the capital and liquidity reserve requirements established by Sections 15, 21, and 21(1) of the Regulations to the Credit Unions and Caisses Populaires Act of Manitoba.

Readers of the summary consolidated financial statements are advised that in order to appropriately interpret the Credit Union's capital and liquidity reserve requirements, the reader must refer to the audited consolidated financial statements and notes for the year ended December 31, 2017.

Brandon, Manitoba

February 27, 2018

MNP LLP

Chartered Professional Accountants

Vanguard Credit Union
Summary Consolidated Statement of Financial Position
As at December 31, 2017

	2017	2016
Assets		
Cash and cash equivalents	5,745,892	19,877,931
Accounts receivable	460,519	613,728
Investments and accrued interest	43,919,186	35,558,674
Members' loans receivable and accrued interest	421,838,255	386,550,289
Prepaid expenses	1,567,714	1,248,542
Property and equipment	8,060,209	8,742,173
Intangible assets	1,868,854	1,973,854
Other assets	862,253	908,877
	484,322,882	455,474,068
Liabilities		
Member deposits and accrued interest	419,247,271	404,594,618
Line of credit	19,116,113	-
Current tax payable	10,558	128,536
Accounts payable	3,204,807	2,737,512
Securitization debt	8,107,385	15,194,193
Deferred tax	340,000	309,000
	450,026,134	422,963,859
Members' equity		
Member shares	7,989,539	8,123,261
Retained earnings	26,307,209	24,386,948
	34,296,748	32,510,209
	484,322,882	455,474,068

Approved on behalf of the board

Signed "Brent Strachan"
Director

Signed "Michael Knight"
Director

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

Vanguard Credit Union
Summary Consolidated Income Statement
For the year ended December 31, 2017

	2017	2016
Interest income		
Member loans	15,009,368	14,764,060
Investments	999,051	940,678
	16,008,419	15,704,738
Interest expense		
Deposits	5,656,725	5,510,471
Interest on borrowed money and securitizations	256,683	309,807
	5,913,408	5,820,278
Gross financial margin	10,095,011	9,884,460
Operating expenses		
Administration	2,575,026	2,430,312
Amortization	923,419	980,261
Member Security	472,690	437,404
Occupancy	524,082	428,132
Organizational	275,430	271,818
Personnel	5,231,497	5,623,632
	10,002,144	10,171,559
Net operating income (expense)	92,867	(287,099)
Other income	3,163,734	3,346,429
Income before provision for impaired loans, property held for resale, patronage refund and income taxes	3,256,601	3,059,330
Provision for patronage refund	400,000	-
Income before provision for impaired loans, property held for resale and income taxes	2,856,601	3,059,330
Provision for		
Impaired loans	217,111	35,583
Property held for resale	15,000	5,361
	232,111	40,944
Income before income taxes	2,624,490	3,018,386
Provision for income taxes		
Current	590,855	579,006
Deferred	31,000	-
	621,855	579,006
Net income	2,002,635	2,439,380

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

Vanguard Credit Union
Summary Consolidated Statement of Changes in Members' Equity
For the year ended December 31, 2017

	<i>Member shares</i>	<i>Retained earnings</i>	<i>Total equity</i>
Balance December 31, 2015	8,439,673	22,022,267	30,461,940
Net income	-	2,439,380	2,439,380
Issuance of member shares	3,190	-	3,190
Redemption of member shares	(394,301)	-	(394,301)
Dividends on preference shares, net of tax recovery	74,699	(74,699)	-
Balance December 31, 2015	8,123,261	24,386,948	32,510,209
Net income	-	2,002,635	2,002,635
Patronage refund	400,000	-	400,000
Issuance of member shares	68,625	-	68,625
Redemption of member shares	(684,721)	-	(684,721)
Dividends on preference shares, net of tax recovery	82,374	(82,374)	-
Balance December 31, 2017	7,989,539	26,307,209	34,296,748

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

Vanguard Credit Union
Summary Consolidated Statement of Cash Flows
For the year ended December 31, 2017

	2017	2016
Cash provided by (used for) the following activities		
Operating activities		
Interest received from members' loans	14,691,918	14,590,800
Interest and dividends received from investments	943,775	954,507
Other income received	3,316,943	3,997,029
Cash paid to suppliers and employees	(9,054,009)	(10,755,481)
Interest paid on deposits	(5,906,209)	(5,923,153)
Income taxes paid	(708,833)	(424,470)
	3,283,585	2,439,232
Financing activities		
Net change in member deposits	14,645,454	13,644,806
Proceeds from issuance of member shares	68,625	3,190
Net proceeds from securitization of mortgages	(7,086,808)	(2,117,036)
Payments for redemption of member shares	(602,347)	(319,602)
	7,024,924	11,211,358
Investing activities		
Net change in members' loans receivable	(35,153,198)	(23,342,753)
Purchases of investments and accrued interest	(8,305,236)	(4,536,735)
Purchases of property and equipment	(169,374)	(42,884)
Proceeds from disposal of property and equipment	71,147	-
	(43,556,661)	(27,922,372)
Decrease in cash and cash equivalents	(33,248,152)	(14,271,782)
Cash and cash equivalents, beginning of year	19,877,931	34,149,713
Cash and cash equivalents, end of year	(13,370,221)	19,877,931
Cash resources are composed of:		
Cash and cash equivalents	5,745,892	19,877,931
Line of credit	(19,116,113)	-
	(13,370,221)	19,877,931

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

OUR COMMUNITY



community/charitable
donations
\$75,000



number of
volunteer hours: **5,529**



number of
members
12,980





BRANDON



AGBUSINESS, INSURANCE AND WEALTH TEAM MEMBERS



AG/BUSINESS SERVICE TEAM

OUR PEOPLE

Alders, Susan
 Alexander, Kaitlynn
 Ashcroft, Morgan
 Badger, Bonnie
 Bailey, Natalie
 Beever, Jillian
 Berry, Michelle
 Bilinsky, Cheryl 15 Years
 Blue, Rebecca
 Bonchuk, Danielle
 Bond, Merrilee
 Boryskiewich, Dana 20 Years
 Boryskiewich, Lucas
 Brown, Stephanie
 Buchan, Lacey
 Burt, Wendi
 Cadieux, Tiffany
 Chuchmuch, Debbie
 Chuchmuch, Kelly
 Cleaver, Alicia
 Conley, Michelle
 Corrigal, Krista
 Cottingham, Jocelyn
 Couvier, Codi
 Currie, Francine
 Daniel, Sharon
 Devliegere, Leanne
 Dinko, Danika
 Enns, Kyle 5 Years
 Facey, Greg
 Fenty, Tamra
 Fouillard, Liza 10 Years
 Geekie, Tobi
 Gerrard, Ian

Gill, Stacy 5 Years
 Goertzen, Sarah
 Grace, Dianne
 Granger, Debbie
 Gregory, Kari
 Gurr, Ashlee
 Gurr, Kerrie
 Hamilton, Kaitlyn
 Heise, Marlene
 Herchak, Jane
 Hunt, Donna
 Hutchison, Wanda
 Johns, Darwin
 Kestirke, Debbie
 Lemoine, Cheryl
 Levandoski, Kelsey
 Luba, Tajia
 Lysyshin, Marilyn
 Mcduff, Erin
 Mcgonigal, Laura
 Mcivor, Pat
 Mcmurphy, Sabrina
 McNair, Ashley 5 Years
 Manson, Roslynne
 Masson, Kelly
 Matheson, Shannon
 May, Tricia
 Mayert, Lindsay
 Mervyn, Susan
 Miller, Lauren
 Neaman, Alix
 Norrie, Brett 10 Years
 Oertel, Jackie
 Parkinson, Shari 10 Years

Reagh, Tanya
 Robinson, Le-Ann
 Robinson, Taylor
 Robleski, Nikole
 Roziere, Tammie
 Salyn, Brenda
 Schellenberg, Gloria
 Sellsted, Cheryl
 Shewchuk, Sherri
 Sidoryk, Glenda 35 Years
 Stannage, Rachelle
 Stewart, Tanis
 Stone, Lynda
 Stykalo, Scott 5 Years
 Tolton, Gail
 Vandenheuvel, Nicole
 Yoko, Genevieve
 Zimmer, Mandie

VFIS

Currie, Brian
 Polhill, Tara
 Ternovetsky, Melissa

Asselstine Agencies

Rutledge, Marley
 Snow, Joy

Parkway Insurance

Contreras, Kristy
 Holmes, Alisa
 Kleemola, Pat

**Vanguard Credit Union service milestones are formally recognized with our team members every five years. Congratulations, and thank you!*



HAMIOTA



RUSSELL



OAK LAKE



SERVICE TEAM
MEMBERS



ROSSBURN

professional
development hours:
6,773

"It is such a pleasure to be part of the team at Vanguard Credit Union. Our members all have unique financial needs and I value the opportunity to understand and get to know our members and communities in a way that allows me to provide financial direction specific to individual circumstances."

- Jennifer Seib, Mutual Funds
Investment Specialist



INSURANCE AGENCIES

MANAGER OF INSURANCE SERVICES



Brian Currie

ASSELSTINE INSURANCE AGENCY

675 Main Street
Birtle, Manitoba

204-842-5290



Joy Snow and Marley Rutledge

PARKWAY INSURANCE AGENCY

35 Main Street NW
Erickson, Manitoba

204-636-2314



Kristy Conteras



Alisa Holmes



Pat Kleemola

VANGUARD FINANCIAL INSURANCE AGENCY

5 Main Street
Rossburn, Manitoba

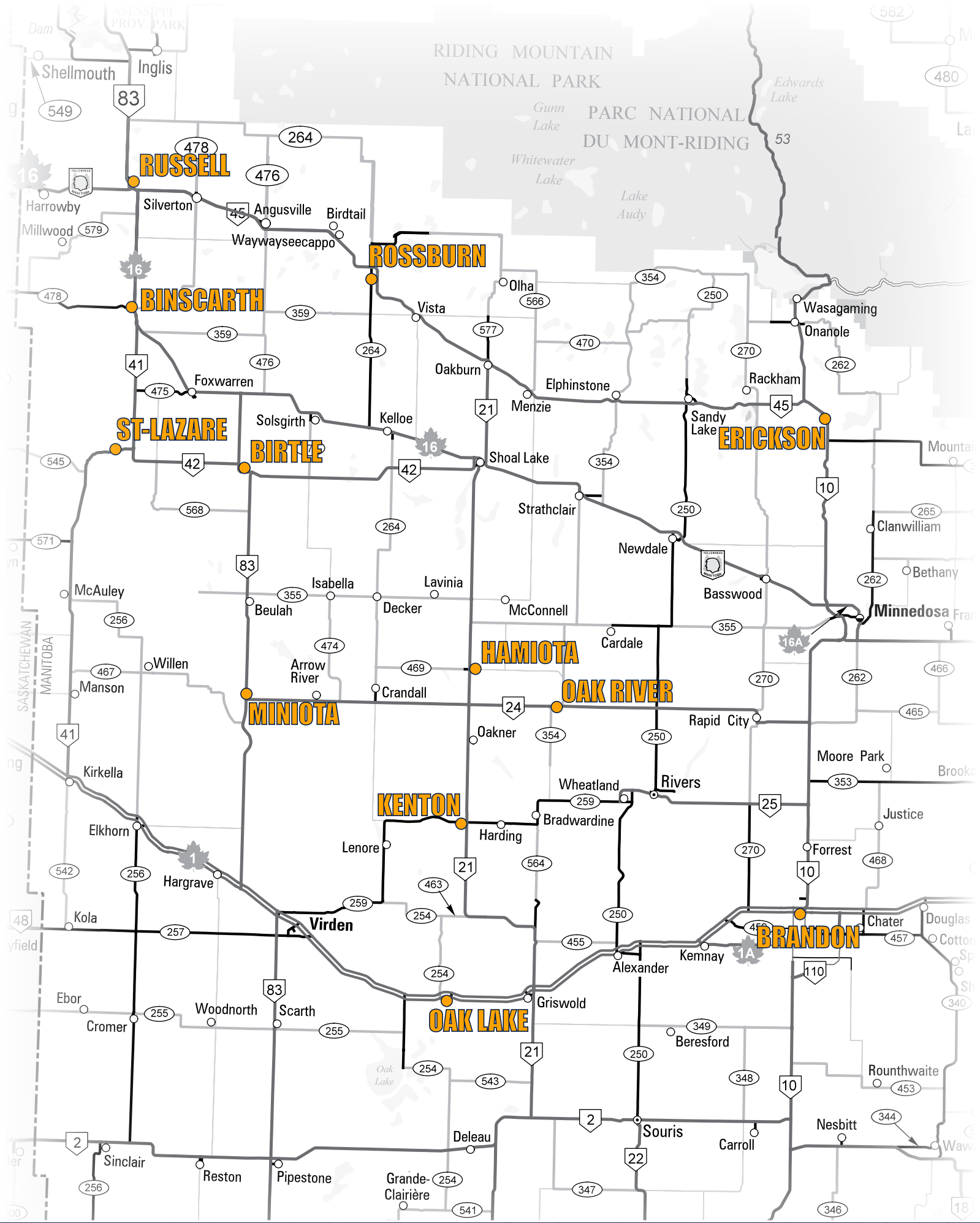
204-859-5036

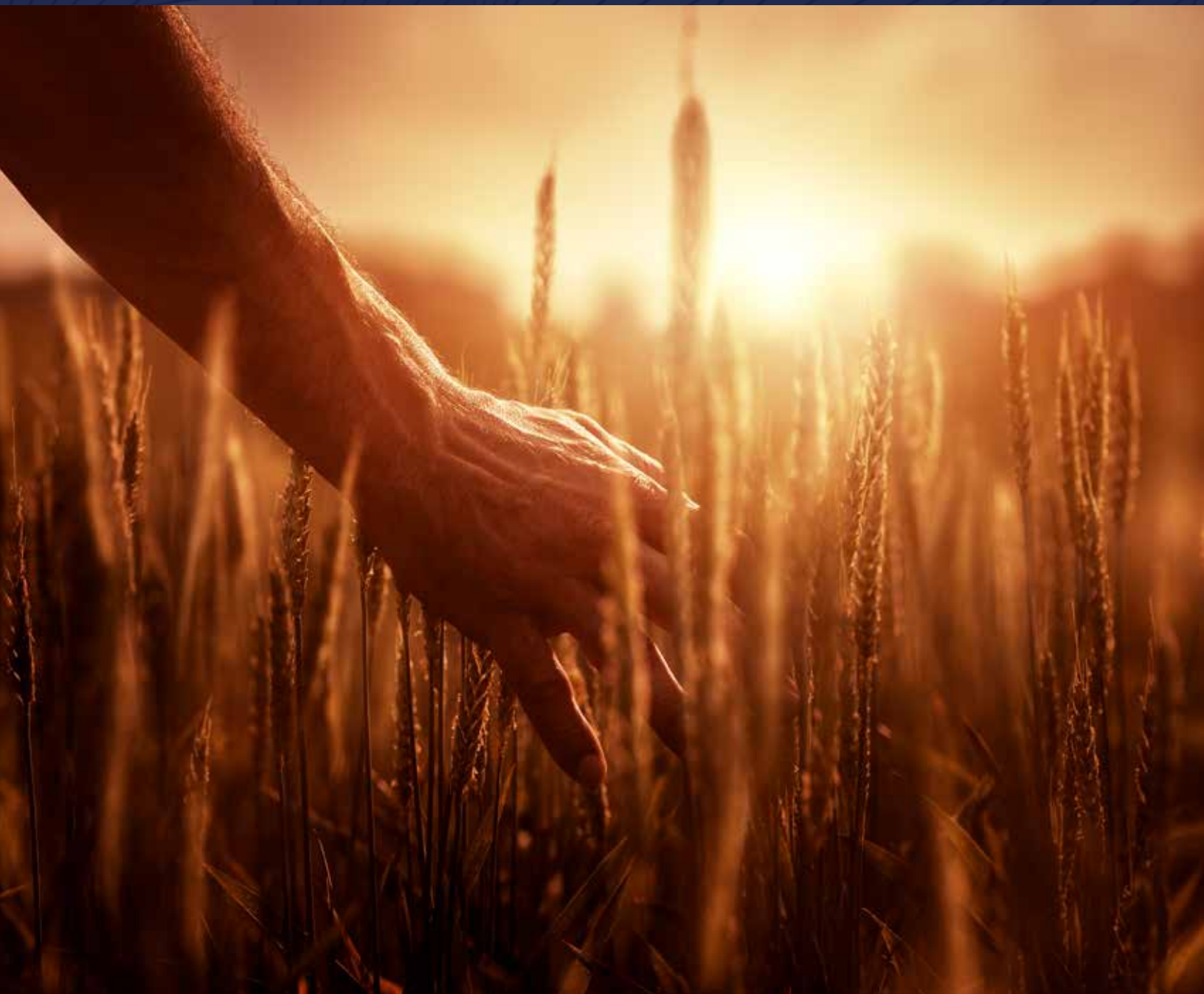


Melissa Ternovetsky



Tara Polhill





1-877-226-7957
vipconnect@vanguardcu.mb.ca
www.vanguardcu.mb.ca