

A n n u a l R e p o r t 2 0 0 0

BULKLEY VALLEY CREDIT UNION





The Hazeltons' Branch
 Highway 16, Copperside
 Mall
 P.O. Box 159
 New Hazelton, B.C.
 V0J 2J0
 Tel: 250-842-2255
 Fax: 250-842-2121



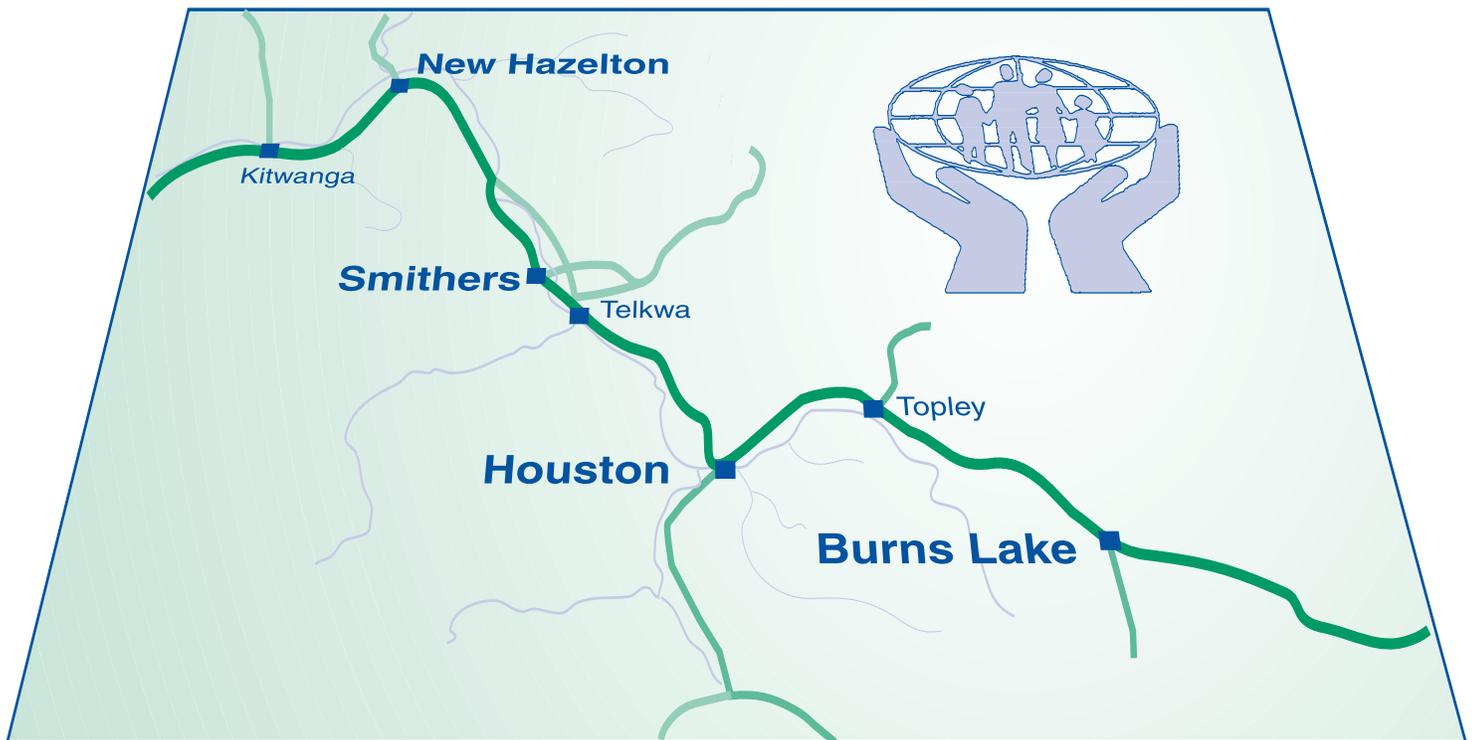
Main Branch
 3894 1st Avenue
 P.O. Box 3729
 Smithers, B.C.
 V0J 2N0
 Tel: 250-847-3255
 Fax: 250-847-2818

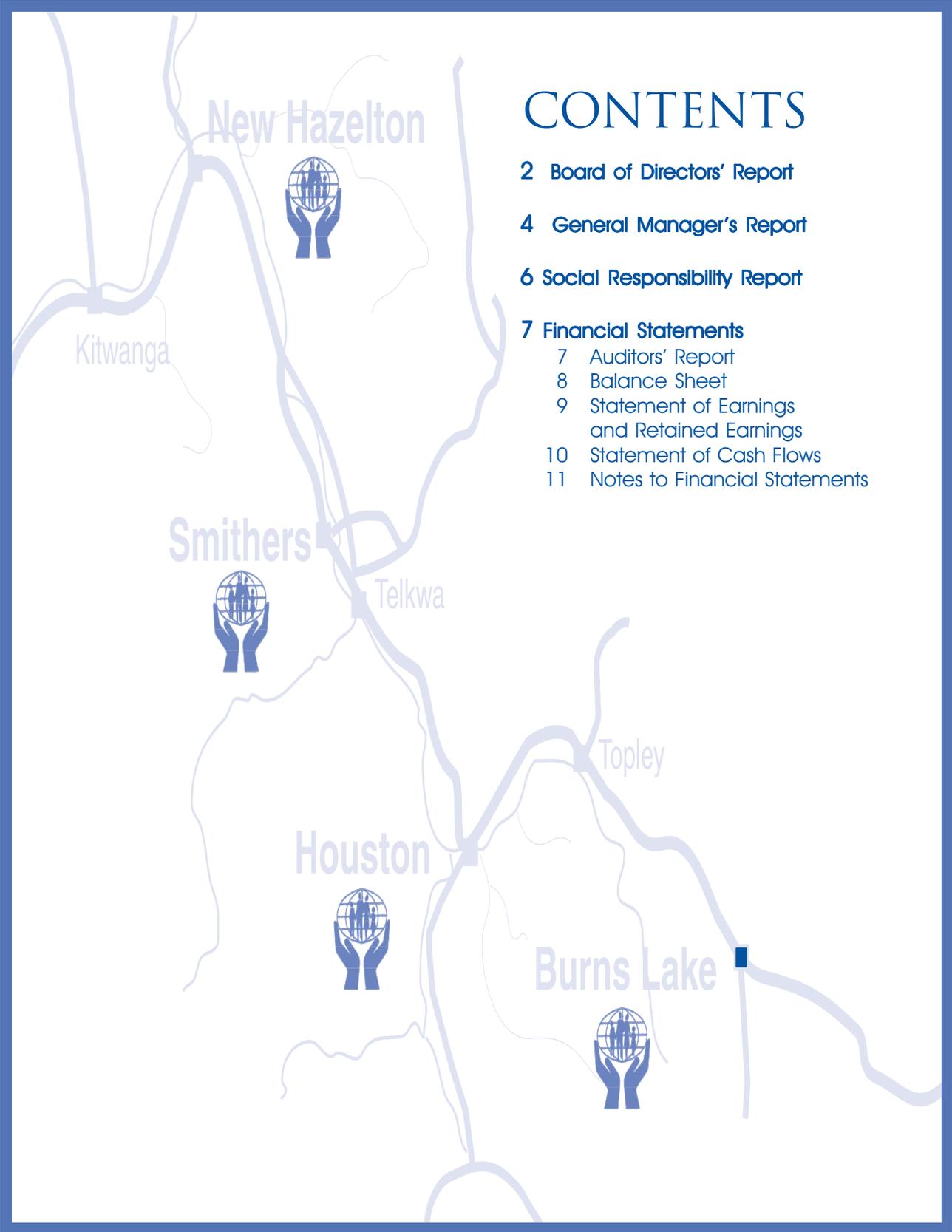


Houston & District Branch
 Box 1480
 2365 Copeland Avenue
 Houston, B.C.
 V0J1Z0
 Tel: 250-845-7117
 Fax: 250-845-2783



Lakes District Branch
 Box 1029
 Highway 16,
 Lakeview Mall
 Burns Lake, B.C.
 V0J 1E0
 Tel: 250-692-7761
 Fax: 250-692-3661





CONTENTS

- 2 Board of Directors' Report
- 4 General Manager's Report
- 6 Social Responsibility Report
- 7 Financial Statements
 - 7 Auditors' Report
 - 8 Balance Sheet
 - 9 Statement of Earnings and Retained Earnings
 - 10 Statement of Cash Flows
 - 11 Notes to Financial Statements

EARNINGS PAID BACK TO MEMBERS



On behalf of the Board of Directors, it is my pleasure to welcome you to our 59th Annual General Meeting. When I reported to you in last year's annual report, information was provided on the completion of the merger with the credit unions in Burns Lake and Houston and the profound effect this had on our operation. However, at that time, I had no idea of what was in store for us in the year 2000. In August of last year arrangements were finalized to complete the purchase of the Smithers branch of the Bank of Montreal and while the purchase dealt with smaller numbers than the two credit unions we merged with in 1999 this project consumed significantly more staff time, as we had to deal with records and account types that we were not familiar with. Nonetheless the staff worked very hard on this project and pulled it off within a very short time period.

We agreed to the BMO purchase once our analysis indicated it made good business sense and because we felt it was a "win win" situation for all concerned. Quite clearly the Bank of Montreal had made a decision to close the branch and by having ourselves available to acquire the accounts it made for a very smooth transition for the customers of the Bank. All customers were provided with cheques and Interac cards in advance of the closing of the bank branch and were able to access their account the next day. Also, we offered jobs to virtually all of the employees which provided them continuous employment without interruption of benefits or pay. It was comforting for the new members to deal with the same familiar

faces that they were accustomed to dealing with at the bank. The purchase also enabled the credit union to accelerate its goal to become the premier financial institutions in the communities we serve.

From a financial perspective the Credit Union did very well last year. Interest rates were very stable starting out the year at 6.5% and moving to 7.5% before slipping back slightly at year end which creates an environment where the Credit Union is able to maximize earnings. Last year was the first year that we had the full benefit of the assets acquired as a result of the merger with Houston and Burns Lake and we were able to take advantage of this and earn a very impressive profit. The members of those communities have also received the benefit of Bulkley Valley's success by sharing in the dividend payment and receiving additional services.

Because of the impressive earnings we were able to take care of our capital needs and share some of the earnings with our members. A dividend of 5.5% will be paid on equity share accounts and similar to previous years we will pay a 1.5% patronage premium on interest paid on term deposits including registered products and a 1.5% patronage refund on loan interest. This payment results in some \$365,000 of our earnings being repaid back to our members. Patronage payments and dividends have totaled in excess of 1.1 million over the past four years.

I would like to thank all Board members, the Credit Committee and other volunteers who serve on the many committees for their efforts which have contributed to our continued success. When we merged with Houston and Burns Lake we temporarily expanded our Board of Directors to 13 and at the conclusion of this meeting our numbers are scheduled to return to nine members. With this reduction in our Board I wish to expressed the thanks of the Board to Larry Paynton of Burns Lake and Shannon Denommee of Houston, whose appointments expire this meeting, for their efforts in championing the merger and working with the Board this past year. Mrs. Pat Munro has also resigned as it is her intention to move to Kamloops and Dan Boissevain has decided to not let his name stand for re-election. Also many of you will be aware that a long time and dedicated member Charlie Willson passed away this past summer. At this time I would like to welcome Doug Donaldson who has been elected to the board by acclamation as the director from the Hazelton representative area.

Our general manager Ernie Pow has indicated he will be retiring this fall and to provide for an orderly succession a committee was struck to recruit his successor. This search resulted in the appointment of Dave Stene, who has worked in the Credit Union system for some 13 years before becoming our chief executive officer effective March 19th, 2001.

Finally the Board of Directors and I wish to thank the staff and management for their work this past year. They endured a significant work load and continued to provide high quality and professional service to our members. It is a pleasure to serve on the Board of Directors as we frequently receive favourable comments from the membership on high level of service they receive in their Credit Union and I am pleased to see this continue.

Diane Macaulay
Chairperson

IMPORTANT TASKS, GREAT EFFORTS



Once again, I am pleased to be able to report that the credit union experienced another highly satisfactory year. This was achieved during a year when we were presented with many challenges. Certainly the present state of the forestry industries is having a very detrimental effect on economic activity in the communities served by our branches. This has caused regional unemployment to occur at a much higher level than has been experienced from many years and our usual stable housing market has seen considerable slippage in value. Many of our members are experiencing the effects of this which has necessitated having us spend more time trying to work out solutions for members.

Total assets of the credit union increased some 17% during the year moving to \$148 million at the end of the year. Much of this was due to the Bank of Montreal (BMO) purchase but we still achieved worthwhile growth in assets outside of this purchase. Excluding the BMO purchase our rate of growth was 4.8 % which is very commendable considering the economic environment we operated under in the past year. It is heartening to note that much of this growth is taking place in our branches, particularly in Houston and Burns Lake, as they are able to look at business that they were previously precluded from being involved with due to the limited size of the those institutions prior to the merger.

During the year we had some significant tasks to be done which took considerable effort on all staff. While the merger of Burns Lake and Houston was done on our balance sheet prior Dec 31st, 1999 we ended that year operating from three data bases and it was difficult to transact business from other than your home branch and we were not able to offer all members the full range of services. During the first part of the year we proceeded to merge the data bases together and completed the transfer of Burns Lake membership data in May and the Houston membership data in July. This permitted us to offer the full suite of products to all members at all branches and allow a member to transact business at any of our four branches. The BMO project was much more extensive as it involved working with unfamiliar data and the conversion had to be done within a very short time constraint.

Our two financial planners continue to expand their activities by offering advice and an expanded product line to our members. We had hoped to commence offering internet banking to our members in 2000 but this project was delayed due to the aforementioned tasks but we are now working on this project and anticipate commencing the service to our members within several months.

I would like to thank all staff members for their

hard work during the past year. We placed a number of very significant tasks before them during the past year and I am extremely pleased with the manner these were carried out. The Bank of Montreal merger itself was a huge undertaking carried out in a very short time span but it was pulled off very professionally and almost all of the Bank of Montreal customers that came over were very pleased with the manner in which it was handled and they seem extremely happy to be members of the credit union. I would also like to express my gratitude to the Board of Directors and all committee members for their support during the year.

Finally most of you are aware I have made a decision to retire from the credit union in the fall of this year and I would like to say it has been an extreme pleasure to serve the members and the Board of Directors over the past 16 years. The Credit Union has changed and evolved during my tenure here and I am happy to leave the credit union in a very strong financial position and feel very optimistic that in it will continue to grow and prosper in the years ahead.



Ernie Pow
General Manager

SUPPORTING OUR COMMUNITY

The Credit Union's Social Responsibility Committee was organized in 1996 with the idea that, although the credit union has always supported community activities, it was time for a more focussed approach. A mandate of youth, community and education directs the committee in reviewing funding requests. With a set budget of 3% of BVCU's pre-tax yearly income, the committee strives to select those projects which will benefit the greatest number of people.

Supported Activities

- 1 Bursaries totalling \$4500 at \$750 per student to Smithers Secondary, B.V. Christian High School and Ebenezer. Hazelton Secondary, Houston Christian & Houston Secondary.
- 2 Annual Credit Union Goalgetters Soccer School \$3350
- 3 Donation to the BC Cancer Foundation Millennium Campaign of \$13,093
- 4 Smithers Volunteer Fire Department \$6000 (Infrared Camera)
- 5 Burns Lake Community Development Association \$3000
- 6 Hazelton Figure Skating Club
- 7 Mountain Marathon
- 8 RCMP Youth Academy (area secondary students interested in law enforcement)
- 9 Valley Youth Fiddlers
- 10 Xmas in the Valley (pool rental for children)
- 11 Hazelton Boxing Club
- 12 Newspaper Baby Contest, Burns Lake
- 13 Bulkley Valley Health Council (Bulkley Lodge)
- 14 Smithers Snowmobile Association
- 15 Affordable Recreation committee
- 16 Science Fair, Smithers
- 17 Gweey Ya, Hazelton
- 18 RCMP (soft interview room)
- 19 BV Exhibition
- 20 BV Arts Council
- 21 Hazelton Emergency Action Team
- 22 Help Society Xmas Hamper
- 23 Hazelton Bridge Light Up
- 24 Xmas Hamper Program, Burns Lake
- 25 Snowarama Snowmobile Club, Burns Lake
- 26 Ladies Hospital Auxiliary, Burns Lake

AUDITORS' REPORT

MAH, BARNES & COMPANY
CERTIFIED GENERAL ACCOUNTANTS

ERIC B. MAH, C.G.A.
ROBERT H. BARNES, C.G.A.

To the Members of the Bulkley Valley Credit Union
Smithers, B.C.

We have audited the balance sheet of the Bulkley Valley Credit Union as at December 31, 2000, and the statements of earnings and cash flows for the year then ended. These financial statements are the responsibility of the credit union's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the credit union as at December 31, 2000, and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the Financial Institutions Act, we report that, in our opinion, those principles have been applied consistently.



CERTIFIED GENERAL ACCOUNTANTS

Smithers, B.C.
February 21, 2001

Financial Statements

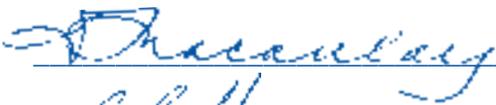
BULKLEY VALLEY CREDIT UNION
BALANCE SHEET [Notes 1, 11, 13, 14 & 15]
DECEMBER 31, 2000

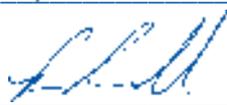
		2000	1999
<u>Assets</u>			
CASH AND TERM DEPOSITS	[Note 11]	\$16,439,026	\$18,969,312
LOANS TO MEMBERS	[Note 2]	127,165,197	104,744,941
OTHER ASSETS	[Note 3]	1,647,624	390,280
INVESTMENTS	[Note 4]	770,343	730,533
CAPITAL ASSETS	[Note 5]	2,434,305	2,726,006
		\$148,456,495	\$127,561,072

Liabilities and Members' Equity [Note 12]

MEMBERS' DEPOSITS AND SHARES	[Note 6]	\$139,174,224	\$119,125,716
ACCOUNTS PAYABLE AND ACCRUALS	[Note 8]	616,587	611,764
DIVIDENDS AND ALLOCATIONS TO MEMBERS	[Note 9]	373,277	302,317
EQUITY SHARES	[Note 10]	2,246,582	2,047,475
RETAINED EARNINGS	[Note 11]	6,045,825	5,473,800
		\$148,456,495	\$127,561,072

Approved by the Directors:

 _____, Director

 _____, Director

Financial Statements

BULKLEY VALLEY CREDIT UNION STATEMENT OF EARNINGS AND RETAINED EARNINGS [Notes 1, 11, 13, 14, &15] FOR THE YEAR ENDED DECEMBER 31, 2000

	2000	1999
INTEREST EARNINGS		
Members' loans	\$9,200,588	\$6,602,567
Investments	921,570	526,945
	<u>10,122,158</u>	<u>7,129,512</u>
INTEREST EXPENSE		
Members' deposits	4,951,531	3,840,247
Borrowed funds [Note 7]	87,285	44,943
	<u>5,038,816</u>	<u>3,885,190</u>
FINANCIAL MARGIN	5,083,342	3,244,322
OTHER INCOME	1,461,861	1,002,058
OPERATING MARGIN	<u>6,545,203</u>	<u>4,246,380</u>
OPERATING EXPENSES		
Salaries and staff benefits	2,363,556	1,631,412
Office services and supplies	1,065,249	708,467
Other administrative expenses	639,489	363,920
Occupancy and building	282,363	202,037
Insurance on savings and loans	47,135	43,838
Capital asset amortization	370,187	323,047
Allowance for losses on loans [Note 2]	616,602	151,678
Corporation capital tax	84,816	75,059
	<u>5,469,397</u>	<u>3,499,458</u>
NET EARNINGS FROM OPERATIONS	<u>1,075,806</u>	<u>746,922</u>
Patronage allocation	242,776	192,865
Dividends to members [Note 9]	121,309	112,811
	<u>364,085</u>	<u>305,676</u>
NET EARNINGS BEFORE INCOME TAXES	<u>711,721</u>	<u>441,246</u>
INCOME TAXES		
Current	125,196	109,074
Deferred (recovery) [Note 1c]	14,500	(972)
	<u>139,696</u>	<u>108,102</u>
NET EARNINGS FOR THE YEAR	572,025	333,144
RETAINED EARNINGS, BEGINNING OF THE YEAR	5,473,800	3,999,681
Winding up distributions from Credit Unions acquired [Note 16]	-	1,140,975
RETAINED EARNINGS, END OF THE YEAR	<u>\$6,045,825</u>	<u>\$ 5,473,800</u>

The accompanying notes form an integral part of these financial statements

Financial Statements

BULKLEY VALLEY CREDIT UNION STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2000

	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	\$9,200,588	\$6,602,567
Term deposit interest received	837,368	503,195
Dividends received	84,202	23,750
Other income	1,461,861	1,002,058
Interest paid to members	(4,951,531)	(3,840,247)
Dividends paid to members	(121,309)	(112,811)
Interest paid on borrowed funds	(87,285)	(44,943)
Patronage allocations paid to members	(242,776)	(192,865)
Cash paid to or on behalf of employees	(2,363,556)	(1,631,412)
Cash paid for services and supplies	(1,065,249)	(708,467)
Cash paid for administrative expenses	(639,489)	(363,920)
Cash paid for building occupancy	(282,363)	(202,037)
Cash paid for savings and loan insurance	(47,135)	(43,838)
Income and capital taxes paid	(176,156)	(184,133)
	<u>1,607,170</u>	<u>806,897</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in loans to members	(23,036,859)	(25,501,086)
Net change in investments	(39,810)	(166,886)
Net change in cash items in other assets	(1,305,699)	(27,260)
Net change in capital assets	(78,486)	(1,205,032)
	<u>(24,460,854)</u>	<u>(26,900,264)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in term deposits	12,627,143	12,461,139
Net change in demand deposits	4,819,050	11,620,497
Net change in registered savings plans	2,814,893	7,493,290
Net change in ordinary share accounts	(212,578)	237,474
Net change in accounts and loans payable	4,823	250,410
Net change in dividends and allocations to members	70,960	54,514
Net change in equity shares	199,107	374,211
Net addition to contributed surplus	-	1,140,975
	<u>20,323,398</u>	<u>33,632,510</u>
NET INCREASE IN CASH AND EQUIVALENTS	(2,530,286)	7,539,143
CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>18,969,312</u>	<u>11,430,169</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$16,439,026</u>	<u>\$18,969,312</u>

The accompanying notes form an integral part of these financial statements

BULKLEY VALLEY CREDIT UNION NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2000

1. SIGNIFICANT ACCOUNTING POLICIES

a) Loans

Loans are recorded at the principal amount less a provision for losses. An allowance for doubtful accounts is determined by reference to specific loans in arrears, prior loan collection experience, economic conditions, and other factors which in management's opinion deserve recognition. Loans considered uncollectible are written off.

Interest income is recorded on the accrual basis, except for interest on loans where, in the opinion of management, it is considered uncollectible.

Property held in settlement of loans is valued at the lower of cost or net realizable value.

b) Capital Assets

Capital assets are stated at cost. Depreciation is recorded on a straight line basis over thirty years for buildings, two to five years on equipment, and ten on the parking lots.

c) Income Taxes

The Credit Union has adopted the deferral method of income tax allocation. Deferred income taxes have resulted from reporting certain items for income tax purposes on bases which differ from these financial statements.

d) Purchase Premium

A premium paid on the purchase of a loan portfolio from another financial institution (\$794,444 included in prepaid expenses) is being amortized over five years using the sum-of-the-digits method.

e) Comparative Figures

Certain prior year's figures have been reclassified where applicable to conform to the current year's presentation. 1999 Earnings and Expense comparative figures include amounts for three months for the Lakes District Branch and one month for the Houston Branch, being the respective periods of activity for those branches from the date of amalgamation, as required using the purchase method of accounting for business combinations.

Financial Statements

2. LOANS TO MEMBERS

	<u>2000</u>	<u>1999</u>
Promissory notes	\$32,305,774	\$25,683,221
Mortgage loans	95,151,065	79,350,440
Accrued interest	<u>659,502</u>	<u>429,701</u>
	128,116,341	105,463,362
Less, Allowance for doubtful loans	<u>951,144</u>	<u>718,421</u>
	<u>\$127,165,197</u>	<u>\$104,744,941</u>

During the year, loans in the amount of \$394,906 (1999 - \$165,387) were written off, and recoveries of \$11,028 (1999 - \$15,177) were realized in respect of loans written off in prior years.

3. OTHER ASSETS

	<u>2000</u>	<u>1999</u>
Prepaid expenses	\$885,946	\$107,699
Accounts receivable	450,344	19,142
Advances to Northline Financial Services Agency Ltd.	102,325	86,941
Deferred income taxes	34,009	48,509
Property held for resale	<u>175,000</u>	<u>127,989</u>
	<u>\$1,647,624</u>	<u>\$390,280</u>

4. INVESTMENTS

Shares, at cost		
* - Credit Union Central of B.C. [Note 7]	\$581,180	\$571,401
* - Datawest Solutions Inc. [Note 12]	100,491	100,491
* - Stabilization Central Credit Union	223	223
* - CUPP Services Ltd.	21,408	20,819
- Other	<u>67,041</u>	<u>37,599</u>
	<u>\$770,343</u>	<u>\$730,533</u>

* These investments are required for the Credit Union's present operations and operating agreements.

5. CAPITAL ASSETS

	<u>2000</u>			<u>1999</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Land	\$216,134	\$ -	\$216,134	\$216,134
Buildings	1,876,913	393,754	1,483,159	1,546,920
Leasehold improvements	175,591	40,568	135,023	169,767
Equipment	1,611,611	1,061,953	549,658	736,083
Parking lots	<u>67,712</u>	<u>17,381</u>	<u>50,331</u>	<u>57,102</u>
	<u>\$3,947,961</u>	<u>\$1,513,656</u>	<u>\$2,434,305</u>	<u>\$2,726,006</u>

6. MEMBERS' DEPOSITS AND SHARES

	<u>2000</u>	<u>1999</u>
Demand deposits	\$42,297,146	\$37,478,096
Term deposits, including accrued interest	66,786,285	54,159,142
Registered Saving Plans, including accrued interest	30,034,777	27,219,884
Ordinary shares	<u>56,016</u>	<u>268,594</u>
	<u>\$139,174,224</u>	<u>\$119,125,716</u>

Registered Savings Plans

The credit union has entered into a deposit back agreement with Credit Union Central of B.C., trustee for the plans, whereby registered savings plan contributions of members are deposited with the Bulkley Valley Credit Union at rates determined by the Bulkley Valley Credit Union.

7. LOAN PAYABLE - CREDIT UNION CENTRAL OF B.C.

The credit union has an authorized line of credit secured by a demand debenture in favour of Credit Union Central of B.C.. The debenture creates a floating charge on certain assets and undertakings of the credit union . The line of credit was not being utilized at December 31, 2000.

8. ACCOUNTS PAYABLE AND ACCRUALS

	<u>2000</u>	<u>1999</u>
Trade payables and accrued liabilities	\$524,945	\$500,880
Deferred loan prepayment fees	55,204	98,699
Current income taxes payable	<u>36,438</u>	<u>12,185</u>
	<u>\$616,587</u>	<u>\$611,764</u>

9. DIVIDENDS AND ALLOCATIONS TO MEMBERS

The credit union has declared dividends estimated to be paid as follows:

	<u>2000</u>	<u>1999</u>
Patronage Dividend, to be paid in equity shares	\$242,776	\$192,865
Equity Shares, to be paid in equity shares	121,309	101,517
Ordinary Shares to be paid in ordinary shares	-	<u>11,294</u>
	<u>\$364,085</u>	<u>\$305,676</u>

10. EQUITY SHARES

Equity shares are restricted as to withdrawal and are not guaranteed by the Credit Union Deposit Insurance Corporation of B.C.

11. STATUTORY REQUIREMENTS

The Financial Institutions Act requires the credit union to maintain a capital base adequate in relation to its level of business activities. The level of capital required is based on a prescribed percentage of the total value of its risk-weighted assets, each asset of the credit union being assigned a risk factor based on the probability that a loss may be incurred on the ultimate realization of that asset.

The Financial Institutions Act Regulations prescribe that the minimum required capital ratio is 8% of the risk-weighted value of assets for 2000. At December 31, 2000, the credit union had attained a capital base in excess of the minimum requirement.

The Credit Union is also required to maintain a minimum cash liquidity reserve equal to 10% of member deposits plus other current obligations.

12. COMMITMENTS

Data Processing Service

The Credit Union has entered into an agreement with Cue Data West Ltd. for on-line data processing services. The agreement provides for liquidating damage if for any reason the Credit Union fails to complete the contract term which expires March, 2003.

Letters of Credit

The credit union was contingently liable for letters of credit issued on behalf of members totaling \$293,100 at December 31, 2000, and \$197,525 for the previous year.

13. STATUTORY INFORMATION

Directors and Staff Loans

At December 31, 2000, the total of loans to directors, officers, members of the credit committee, employees and other related parties of the credit union was \$4,769,022 none of which was more than one month in arrears. Loans to employees at reduced interest rates, which are granted to employees as part of their compensation package, totalled \$3,985,339.

Directors' Remuneration

Directors, in their capacity as directors and committee members, received no remuneration in 2000.

14. MATURITIES OF FINANCIAL INSTRUMENTS

Balance at December 31, 2000	Not Interest Sensitive	Period to Maturity			Total
		Within 3 Months	4 Months to 1 Year	Over 1 to 5 Years	
Assets					
Cash resources	\$2,788,276	\$2,900,750	\$10,750,000	\$-	\$16,439,026
Loans *	(291,642)	33,638,542	29,651,461	64,166,837	127,165,198
Investments	770,343	-	-	-	770,343
Other assets	1,647,623	-	-	-	1,647,623
Premises and equipment	<u>2,434,305</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,434,305</u>
	<u>7,348,905</u>	<u>36,539,292</u>	<u>40,401,461</u>	<u>64,166,837</u>	<u>148,456,495</u>
Liabilities					
Deposits	7,654,311	54,277,440	27,056,419	50,186,054	139,174,224
Borrowings	-	-	-	-	-
Payables and accruals	614,042	-	-	-	614,042
Equity	<u>8,668,229</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,668,229</u>
	<u>16,936,582</u>	<u>54,277,440</u>	<u>27,056,419</u>	<u>50,186,054</u>	<u>148,456,495</u>
Net mismatch	<u>\$(9,587,677)</u>	<u>\$(17,738,148)</u>	<u>\$13,345,042</u>	<u>\$13,980,783</u>	<u>\$ -</u>

* Includes allowance for impaired loans

Maturity dates substantially coincide with interest adjustment dates. Amounts with floating rates, or due on demand, are classified as maturing within three months, regardless of maturity. Amounts that are not interest rate sensitive are grouped together, regardless of maturity.

A significant amount of loans and deposits can be settled before maturity on payment of a penalty. No adjustment has been made for repayments that may occur prior to maturity.

15. FAIR VALUES OF FINANCIAL INSTRUMENTS

The estimated fair values of financial instruments are designed to approximate values at which these instruments could be exchanged in a current market. However, many of the financial instruments lack an available trading market and therefore fair values are based on estimates.

No fair values have been determined for premises and equipment, goodwill or any other asset or liability that is not a financial instrument. The fair values of cash resources, variable rate loans and deposits, other assets and liabilities are assumed to equal their book values. The fair values of fixed rate loans and deposits are determined by discounting the expected future cash flows at the estimated current market rates for loans and deposits with similar characteristics.

Changes in interest rates are the main cause of changes in the fair value of the credit union's financial instruments. The majority of the credit unions' financial instruments are carried at historical cost and are not adjusted to reflect increases or decreases in fair value due to interest rate changes.

	<u>2000</u>		
	<u>Book Value</u>	<u>Fair Value</u>	<u>Difference</u>
Assets			
Cash resources	\$16,439,026	\$16,439,026	\$-
Loans	127,165,198	127,054,984	(110,214)
Other	2,383,957	2,383,957	-
			<u>(110,214)</u>
Liabilities			
Deposits	119,125,716	120,465,778	1,340,062
Other	1,126,260	1,126,260	-
			<u>1,340,062</u>
Net Difference			<u><u>\$(1,450,276)</u></u>