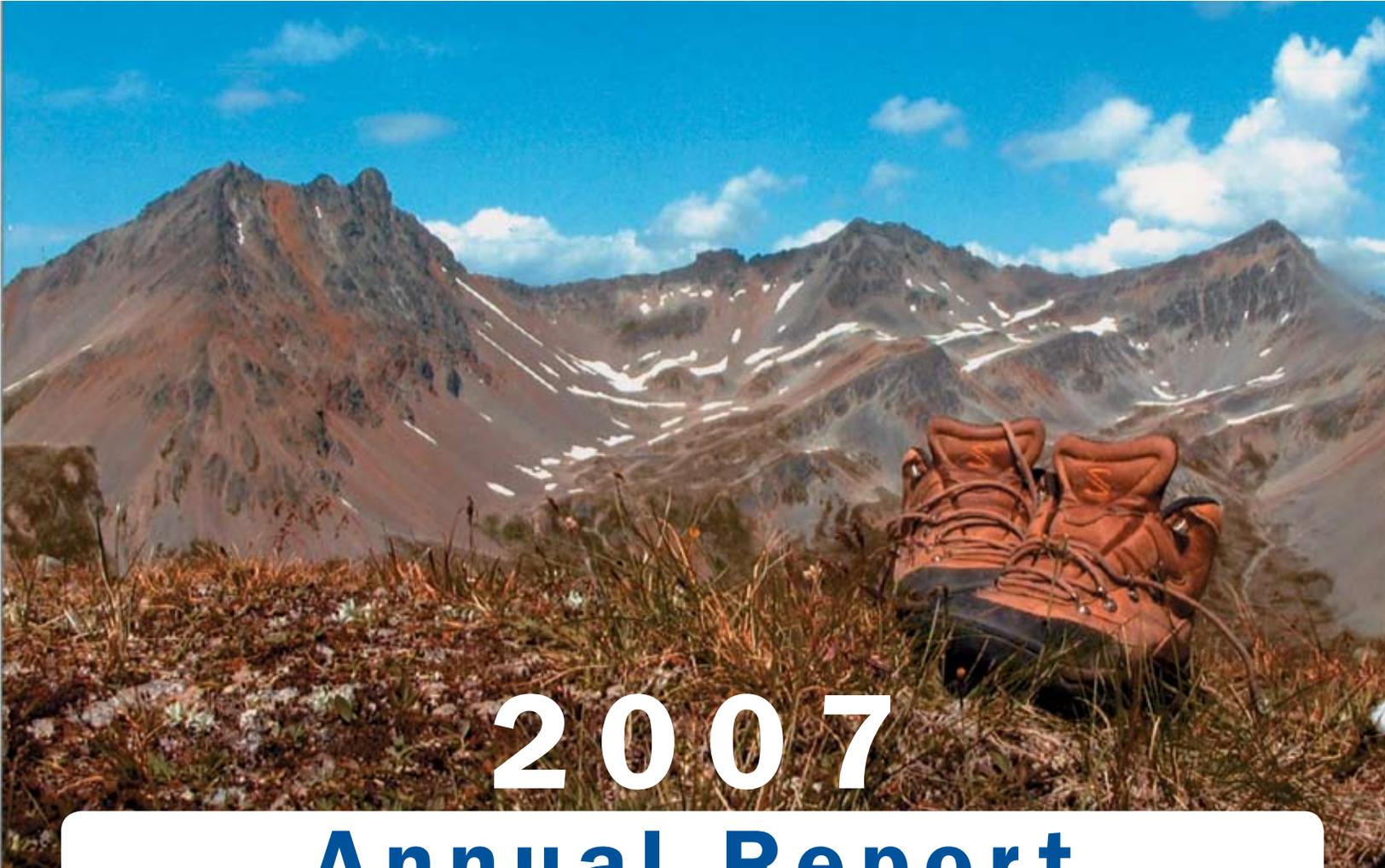




Bulkley Valley CREDIT UNION



2007

Annual Report

Locations



Administration

3872 1st Avenue
P.O.Box 3637
Smithers, BC V0J 2N0
Phone: 250.847.3255
Fax: 250.847.3012
infoadmin@bvku.com

Telephone banking:
1.888.289.4331
1.250.847.3090



Hazelton's Branch

4646 10th Avenue
P.O.Box 159
New Hazelton, BC V0J 2J0
Phone: 250.842.2255
Fax: 250.842.2121
infohaz@bvku.com



Lakes District Branch

Hwy. 16 Lake View Mall
P.O.Box 1029
Burns Lake, BC V0J 1E0
Phone: 250.692.7761
Fax: 250.692.3661
info lakes@bvku.com



Houston & District Branch

2365 Copeland Avenue
P.O.Box 1480
Houston, BC V0J 1Z0
Phone: 250.845.7117
Fax: 250.845.2783
infohous@bvku.com



Smithers Branch

3894 1st Avenue
P.O.Box 3729
Smithers, BC V0J 2N0
Phone: 250.847.3255
Fax: 250.847.2818
infosmi@bvku.com

Mission Statement

**We will be the leading provider of financial services
in each community we serve by:**

Anticipating, responding to and fulfilling needs of our members

Contributing to the communities

Delivering high quality personalized service

Employing committed and empowered staff

Maintaining the financial health of the organization



Board of Directors' Report

2007 was a solid year for Bulkley Valley Credit Union in every aspect. Not only did we have a record year financially, we continued our commitment of giving back to the membership by paying over \$750,000.00 to our local communities in dividends, patronage, community support, and economic development. These funds were used to support numerous local groups from helping local youth sports team represent our area at provincial championships to helping senior groups build affordable housing. We helped groups move towards more environmentally friendly energy usage and we built buildings that incorporated energy efficient equipment and design. We are also happy to see projects like the Northwest Premium Co-op become a reality not just because of our support but more importantly the hard work of local individuals that really care about our local farming community and have the stamina, will and vision to push this massive project forward.

Our local communities will continue to face challenges as the forestry industry reacts to global changes but there is every reason to hope for better times with the increase of the mining industry and tourism industry. We are very fortunate to have people in our local communities that live here because they chose to live here and they are prepared to work hard to make each of our communities a better place to live every day. In 2007, we had an election for three directors' positions in Smithers and we had five very worthy candidates. It is rewarding to see that this interest in serving on a volunteer Board of Directors, indicating that people do understand what our organization means to the local communities we serve.

The directors care very much about the opinions and concerns of our members. In 2007 we conducted our bi-annual member survey. We were very happy to see that over 95% of the members felt that we were providing a high level of personal service with 76% of our members rating our courtesy and friendliness as excellent. 96% stated that our local control and ownership was important to them. Our organization will continue to work hard to maintain these high levels of member satisfaction but this can only be accomplished by continually moving forward. We are happy about our entry into the general insurance industry and our financial planning department continues to expand its portfolio by meeting the needs of one client at a time.

However, all this progress does not take place without a dedicated group of staff and management that share a real commitment to our members and our communities. They are also led by a group of directors that are all actively engaged in setting the future direction of the organization. The Board is very happy with the results in 2007 but we are excited about tackling the challenges 2008 will bring. We have built a strong organization in every way that will allow us to serve our members in a manner that they expect and demand for many years to come.

Randy Brandvold—Board Chair

Initiated out of the New Hazelton RCMP detachment, "Operation Good Deed" is a program dedicated to building relations between members of the RCMP and the youth in the Hazelton communities. This program allows RCMP to take a proactive role with the youth where the interactions are to be positive and good behavior is awarded. Bulkley Valley Credit Union helped raise over \$1300 in the past two years to contribute to the program.

Good Deeds Rewarded in the Hazeltons



Message from the CEO

Bulkley Valley Credit Union had another strong year financially in 2007. Net Income prior to dividends and taxes exceeded the \$2 million mark for the first time which was an increase of 2.0% over 2006 results. We experienced growth of 5.5% in total deposits and 6.3% in total loans as our overall balance sheet total assets grew 5.6%. Even though the forestry industry continued to feel the affects of the economic headwinds caused by the US housing market collapse and our rising Canadian dollar, our local communities continued to prevail as we even saw membership increase 4.33% overall during the year and local housing markets strengthened.

We accomplished a number of milestones in 2007. In partnership with Envision Insurance, our new general insurance building in Smithers was completed and now houses the combined operations of two separate agency offices purchased in 2006. We also opened a new general insurance office in Houston at the end of the year. We have started the major renovations on our Lakes District branch in Burns Lake in early 2008 and this expanded office will provide greater exposure for our financial planning subsidiary. These local developments not only helped us expand our services but assisted our local economies since all of the projects were completed by local contractors and tradesmen.

In 2008, management and staff are diligently preparing for a banking system conversion that will take place in 2009. It is vitally important that we continue to provide our membership with the most updated and relevant products and services in the financial marketplace and this can only be done by staying current with new technologies. It is important that new technologies are well researched and we train everyone in their use so that conversions will not affect the high service levels that our members expect and demand of us every day.

We continue to be fortunate to have a group of staff and management that really care about their local communities and show it by way of their commitment to providing our members with a high level of personal service. We have engaged directors that work very hard to provide guidance to the organization and react to the expectations of the membership. Finally, the support and patronage of our members continues to spur us on and we will never take this support for granted. We are very excited and aware of the challenges facing us and our communities in 2008 and we know we are focused and structured for long term success no matter the size of these future challenges along the way.

W.D. (Dave) Stene—CEO

Nearly half the staff at the Hazeltons Branch shaved their heads on the 2007 Terry Fox at Work Day - September 14, 2007. The BVCU team raised over \$4,600 in pledges for participating in The Great Canadian Head Shave event. Thank you to 13 year old cancer survivor, Lia, who was invited to help shave heads that day!

*"If you've given a dollar, you are part of the Marathon of Hope."
—Terry Fox, 1980*

Shedding Locks for Cancer Research



Community Builder Keeps on Building

Thank you! The Community Builder Campaign was very successful in 2007 thanks to you. Every dollar that was deposited to a Community Builder account during the first 60 days of the year not only helped members build their savings but at the same time they helped build their communities. The results were donations over \$26,500 to support important local community projects from the Hazeltons to the Lakes District. The Eagle Down Trail, the Lakes District Arts Council, the Meadows Assisted Living Facility and the Silverthorne PAC's Playground Project were the beneficiaries of the campaign in 2007.

Financial Report

BULKLEY VALLEY CREDIT UNION
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DECEMBER 31, 2007

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OF OTHER COMPREHENSIVE INCOME

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FINANCIAL STATEMENTS

Management's Statement of Responsibility

The accompanying financial statements of Bulkley Valley Credit Union are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principals and, where appropriate, reflect management's best estimates and judgments. Management has also prepared financial and all other information in the annual report and has ensured that this information is consistent with the financial statements. The Credit Union's audit committee and Board of Directors oversee management's responsibilities for the financial reporting and internal control systems.

Appropriate systems of internal control, policies and procedures have been maintained to ensure that financial information is both relevant and reliable and that Credit Union assets are safeguarded.

The financial statements have been independently audited by Mah, Barnes and Company in accordance with Canadian generally accepted auditing standards. Their report expresses their opinion on the financial statements.

W.D. (Dave) Stene

Chief Executive Officer

Jane Sacharoff

Senior Manager, Finance and Administration

**Auditors'
Report****Mah, Barnes & Company
Certified General
Accountants**

*Eric B. Mah, C.G.A., C.F.P.
Robert H. Barnes, C.G.A.*

P.O. Box 3607
1114 Main Street
Smithers, BC V0J 2N0
Tel: 250.847.2281
Fax: 250.847.4421
E-mail: mbco@telus.net

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

We have audited the balance sheet of the Bulkley Valley Credit Union as at December 31, 2007, 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 Canadian 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, 2007, and the results of its operations and changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Financial Institutions Act, we report that, in our opinion, those principles have been applied consistently.

Mah, Barnes & Company
Certified General Accountants

Smithers, B.C., February 11, 2008

Bulkley Valley Credit Union Consolidated Balance Sheet

December 31, 2007

Assets

		2007	2006
CASH AND TERM DEPOSITS	[Note 3]	\$25,388,058	\$25,580,493
LOANS TO MEMBERS	[Note 4]	183,161,600	172,328,576
OTHER ASSETS	[Note 5]	2,102,423	2,088,923
INVESTMENTS	[Note 6]	1,255,191	1,389,235
PROPERTY AND EQUIPMENT	[Note 7]	3,502,711	2,486,409
		\$215,409,983	\$203,873,636

Liabilities and Members' Equity

		2007	2006
MEMBERS' DEPOSITS AND SHARES	[Note 8]	\$200,071,218	\$189,725,631
ACCOUNTS PAYABLE AND ACCRUALS	[Note 10]	923,475	912,471
DIVIDENDS AND ALLOCATIONS TO MEMBERS	[Note 11]	566,668	551,157
EQUITY SHARES	[Note 12]	2,301,068	2,332,081
RETAINED EARNINGS		11,547,554	10,352,296
		\$215,409,983	\$203,873,636

Approved by the Directors:

Randy Brandvold, Director

Klaus Mueller Jr., Director

Bulkley Valley Credit Union Consolidated Statement of Earnings and Retained Earnings

For the Year Ended December 31, 2007

	2007	2006
INTEREST EARNINGS		
Members' loans	\$10,791,378	\$9,467,674
Investments	708,823	1,001,163
	11,500,201	10,468,837
INTEREST EXPENSE		
Members' deposits	4,736,602	3,896,894
Borrowed funds	[Note 9] 48,943	38,508
	4,785,545	3,935,402
FINANCIAL MARGIN	6,714,656	6,533,435
OTHER INCOME	2,821,590	2,574,865
OPERATING MARGIN	9,536,246	9,108,300
OPERATING EXPENSES		
Salaries and staff benefits	3,917,769	3,663,525
Office services and supplies	1,409,843	1,266,703
Other administrative expenses	1,012,088	1,024,553
Occupancy and building	397,796	381,140
Depreciation of property and equipment	375,674	340,292
Allowance for losses on loans	[Note 4] 269,670	330,134
Corporation capital tax	137,000	127,973
	7,519,840	7,134,320
NET EARNINGS FROM OPERATIONS	2,016,406	1,973,980
Patronage allocation	[Note 11] 487,172	476,084
Dividends to members	[Note 11] 77,500	77,000
	564,672	553,084
NET EARNINGS BEFORE INCOME TAXES	1,451,734	1,420,896
INCOME TAXES		
Current	190,713	250,170
Future	23,637	(12,448)
	214,350	237,722
NET EARNINGS FOR THE YEAR	1,237,384	1,183,174
OTHER COMPREHENSIVE INCOME (LOSS)	(42,126)	—
RETAINED EARNINGS, BEGINNING OF THE YEAR	10,352,296	9,169,122
RETAINED EARNINGS, END OF THE YEAR	\$11,547,554	\$10,352,296

Bulkley Valley Credit Union Consolidated Statement of Other Comprehensive Income

For the Year Ended December 31, 2007

	2007
Other comprehensive income (loss), beginning of year	\$ (80,960)
<hr/>	
Other comprehensive income, net of tax:	
Unrealized gains and losses on available-for-sale financial assets arising during the year	4,157
Gains and losses on derivatives designated as cash flow hedges	34,677
Other comprehensive income (loss), end of year	\$ (42,126)

Bulkley Valley Credit Union Consolidated Statement of Cash Flows

For the Year Ended December 31, 2007

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	\$10,791,378	\$9,467,674
Term deposit interest received	660,273	954,145
Dividends received	48,550	47,018
Other income	2,831,660	2,632,982
Interest paid to members	(4,736,602)	(3,896,894)
Dividends paid to members	(77,500)	(77,000)
Interest paid on borrowed funds	(48,943)	(38,508)
Patronage allocations paid to members	(487,172)	(476,084)
Cash paid to or on behalf of employees	(3,917,769)	(3,635,917)
Cash paid for services and supplies	(1,409,847)	(1,266,703)
Cash paid for administrative expenses	(1,012,082)	(1,021,159)
Cash paid for building occupancy	(397,797)	(381,140)
Income and capital taxes paid, net of recoveries	(453,109)	(320,235)
	1,791,040	1,988,179
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in loans to members	(10,820,292)	(19,708,626)
Net change in investments	134,044	(1,663)
Net change in other non-cash assets	(5,639)	1,953,655
Net change in property & equipment	(1,391,975)	(466,239)
	(12,083,862)	(18,222,873)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in term deposits	18,702,752	6,338,523
Net change in demand deposits	(9,949,424)	14,691,635
Net change in registered savings plans	1,292,289	(26,365)
Net change in ordinary share accounts	(579)	(640)
Net change in accounts and accruals payable	70,851	159,740
Net change in dividends and allocations to members	15,511	22,422
Net change in equity shares	(31,013)	(71,447)
	10,100,387	21,113,868
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(192,435)	4,879,174
CASH AND EQUIVALENTS, BEGINNING OF YEAR	25,580,493	20,701,319
CASH AND EQUIVALENTS, END OF YEAR	\$25,388,058	\$25,580,493

Bulkley Valley Credit Union

Notes to Consolidated Financial Statements

December 31, 2007

1. SIGNIFICANT ACCOUNTING POLICIES

a **Governing Legislation and Operations**

Bulkley Valley Credit Union is incorporated under the Credit Union Incorporation Act of British Columbia and the operation of the Credit Union is subject to the Financial Institutions Act of British Columbia. The Credit Union serves members primarily in the Smithers, Hazelton, Houston, Burns Lake and surrounding areas.

b **Basis of Consolidation**

These financial statements include the accounts of Bulkley Valley Financial Services Ltd., a 100% owned subsidiary of the Credit Union, which includes a proportionate share of a jointly owned insurance business. All intercompany transactions have been eliminated upon consolidation.

c **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.

d **Property and Equipment**

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

e **Goodwill**

Goodwill represents the excess of consideration paid over the fair value of net tangible assets acquired in business acquisitions and related costs of acquisition. Goodwill is not amortized, but is tested for impairment on an annual basis by comparing the fair value of each reporting unit to its carrying value. When the carrying value of a reporting unit exceeds its fair value, goodwill is written down to its fair value.

f **Comparative Figures**

Certain prior year's figures have been reclassified where applicable to conform to the current year's presentation.

g **Interest Rate Swaps**

Interest rate swaps are used to adjust exposure to interest rate risk by modifying the repricing or maturity characteristics of loans and deposits. Since interest rate swaps involve the exchange of interest flows between two parties on a specified notional principal amount, the notional principal amounts are not indicative of credit exposure. As at December 31, 2007 the Credit Union had outstanding interest rate swap contracts in the notional principal amount of \$15 million. (December 31, 2006 \$20 million).

h **Changes in Accounting Policies**

Commencing January 1, 2007, the Credit Union adopted new accounting standards required by the Canadian Institute of Chartered Accountants relating to Financial Instruments Recognition and Measurement CICA Handbook section 3855, Comprehensive Income CICA Handbook section 1530, and Hedges CICA Handbook section 3865 and the other amendments to the CICA Handbook sections and accounting guidelines resulting from the issuance of these sections. The Credit Union has adopted and applied these standards in accordance with their transitional provisions. Recognition, derecognition and measurement policies followed in financial statements for prior periods have not been restated.

Under the new standards, all financial assets are classified as available-for-sale, held-for-trading, held-to-maturity, or loans and receivables, and all financial liabilities, other than actuarial liabilities, are classified as held-for-trading or other financial liabilities. All financial instruments classified as available-for-sale or held-for-trading are required to be recognized at fair value on the consolidated balance sheet while financial instruments classified as loans and receivables or other continue to be measured at amortized cost using the effective interest rate method. Unrealized gains and losses on financial instruments that are classified as available-for-sale are reported in other comprehensive income and accumulated under a new balance sheet category called accumulated other comprehensive income. When unrealized gains and losses become realized through sale or impairment, they are reclassified from accumulated other comprehensive income to investment income. Income earned on available-for-sale financial assets is recorded directly to investment income. Unrealized gains and losses on financial instruments that are classified as held-for-trading are recognized along with income earned directly in the consolidated statement of income as investment income change in fair value of held-for-trading assets. Unrealized gains and losses on changes in fair value of held-for-trading assets are reflected in the consolidated statement of cash flows

Notes to Consolidated Financial Statements

under noncash items in a new category called unrealized gains and losses on held-for-trading assets. Fair values for financial instruments traded in an active market have been determined by the quoted market bid price. Fair values of nonpublicly traded financial instruments have been determined using a discounted cash flow approach.

All derivative financial instruments are reported on the balance sheet at fair value. Changes in fair value are recognized in net income unless the derivative is part of a hedging relationship that qualifies as a cash flow hedge. In a cash flow hedging relationship, the change in fair value of the hedging derivative is recognized in other comprehensive income except for any ineffective portion which is recognized in net income as investment income. The amounts accumulated in accumulated other comprehensive income are reclassified to net income in periods in which net income is affected by the variability in the cash flows of the hedged item.

The Credit Union is also required to identify derivatives embedded in other contracts unless the host contract is an insurance policy issued by the Credit Union. Embedded derivatives identified are separated from the host contract and accounted for as a derivative if the following conditions are met: the host contract is not already measured at fair value with changes in fair value recognized in net income, the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract. Where the Credit Union is required to separate an embedded derivative from its host contract but is unable to measure the fair value of the embedded derivative separately, the entire combined contract is treated as a held-for-trading financial instrument measured at fair value with changes in fair value recognized in net income.

Under the new standards, the Credit Union is required to present a new statement of comprehensive income and its components, as well as the components of accumulated other comprehensive income in its consolidated financial statements. Comprehensive income includes both net income and other comprehensive income (OCI). Major components of OCI include changes in unrealized gains and losses of financial assets classified as available-for-sale, and changes in fair value of effective cash flow hedges.

2. BUSINESS ACQUISITION

Business acquisitions made by the Credit Union through its whollyowned subsidiary are accounted for using the purchase method whereby a proportionate share of the assets and liabilities have been recorded at fair market values and a proportionate share of the operating results have been included in the Credit Union's financial statements from the effective date of purchase.

3. CASH AND TERM DEPOSITS

	2007	2006
Deposits held to maturity and cash for trading, at cost	\$19,310,505	—
Available for sale, at market value*	6,077,553	see Note 1(g)
	\$25,388,058	

* Cost amount 2007 \$ 6,083,192

4. LOANS TO MEMBERS

	2007	2006
Promissory notes	\$33,590,516	\$34,804,456
Mortgage loans	150,099,547	138,065,315
Accrued interest	515,599	494,936
	184,205,662	173,364,707
Less, Allowance for losses on loans	1,044,062	1,036,131
	183,161,600	\$172,328,576

During the year, loans in the amount of \$283,245 (2006 \$211,761) were written off, and recoveries of \$21,506 (2006 \$5,276) were realized in respect of loans written off in prior years.

Notes to Consolidated Financial Statements

5. OTHER ASSETS	2007	2006
Prepaid expenses	\$250,286	\$201,378
Accounts receivable	162,165	153,881
Advances for insurance business purchase	22,488	—
Future income taxes	23,016	37,643
Goodwill and Intangibles*	1,546,998	1,546,998
Property held for resale	97,470	149,023
	\$2,102,423	\$2,088,923

* Acquired in 2006 acquisition of insurance business. Deductible Income Tax amount is \$ 12,721.

6. INVESTMENTS	2007	2006
Shares and joint ventures, at cost		
Stabilization Central & Credit Union Central of B.C.*	[Note 8] \$642,081	\$617,941
GrowthStart: A Local Business Development Fund	500,000	500,000
CUPP Services Ltd*	77,868	68,067
Other	35,242	28,663
	1,255,191	1,214,671
Agreement for sale of property	—	174,564
	\$1,255,191	\$1,389,235

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

7. PROPERTY AND EQUIPMENT	2007			2006
	Cost	Accumulated Depreciation	Net	Net
Land	\$461,300	\$ —	\$461,300	\$460,026
Buildings	3,163,592	940,127	2,223,465	1,488,796
Leasehold improvements	218,365	207,526	10,839	24,661
Equipment	2,233,600	1,440,216	793,384	492,065
Parking lots	83,150	69,427	13,723	20,861
	\$6,160,007	\$2,455,179	\$3,502,711	\$2,486,409

8. MEMBERS' DEPOSITS AND SHARES	2007	2006
Demand deposits	\$72,567,074	\$82,516,498
Term deposits, including accrued interest	90,878,975	71,936,238
Registered Saving Plans, including accrued interest	36,614,687	35,261,834
Ordinary shares	10,482	11,061
	\$200,071,218	189,725,631

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.

Notes to Consolidated Financial Statements

9. 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.

10. ACCOUNTS PAYABLE AND ACCRUALS

	2007	2006
Trade payables and accrued liabilities	\$847,010	\$771,544
Derivative financial liability	76,465	—
Current income taxes payable	—	140,927
	\$923,475	\$912,471

11. CURRENT DIVIDENDS AND ALLOCATIONS TO MEMBERS

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

	2007	2006
Patronage Dividend	\$487,172	\$476,084
Equity Share Dividend	77,500	77,000
	\$564,672	\$553,084

12. EQUITY SHARES

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

13. 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 riskweighted 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 riskweighted value of assets for 2007. At December 31, 2007, 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 8% of member deposits plus other current obligations.

14. COMMITMENTS

Data Processing Service

The Credit Union has an agreement with Open Solutions Canada for online data processing services which provides for liquidating damages if for any reason the Credit Union fails to complete the contract term up to August, 2008. During 2007 the contract was extended to January, 2010. Should the Credit Union wish to cancel the extension, a notice period of six months is required.

The Credit Union is currently negotiating with prospective future banking system providers to acquire banking software licencing and related support services to replace the existing banking system. The upgrade and support services are expected to begin in late 2008.

Letters of Credit

The credit union was contingently liable for letters of credit issued on behalf of members totaling \$460,351 at December 31, 2007, and \$418,536 for the previous year.

Notes to Consolidated Financial Statements

Lease

The Credit Union renewed a lease agreement for the Hazelton premises in 2007 expiring December, 2008. The lease provides for annual rent at \$37,500 per annum.

The Credit Union renewed a lease agreement for the Lakes District premises in 2007 expiring September, 2012. The lease provides for annual rent at \$30,212 per annum.

Employee Future Benefits

Employee Pension Plan

The Credit Union employees participate in a multiemployer defined benefits pension plan, operated under the B.C. Credit Union Employees Pension Plan. An independent actuary based on the accrued benefit actuarial cost method has determined the annual cost of the pension plan benefits. The most recent actuarial valuation was as at December 31, 2006, at which time it was determined that the pension plan assets exceeded the actuarial liability.

Retiree Benefits

Certain retired employees receive health benefits for a fixed period of time after their retirement. This financial obligation is recognized by the Credit Union at the time of the employee's retirement.

15. STATUTORY INFORMATION

Directors and Staff Loans

At December 31, 2007, the total of loans to directors, officers, members of the credit committee, employees and other related parties of the credit union was \$9,734,523 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, totaled \$ 4,996,749 .

Directors' Remuneration

Directors, in their capacity as directors and committee members, received no remuneration in 2007.

16. FINANCIAL INSTRUMENTS

Most of the assets and liabilities of the Credit Union are financial instruments. The following table is intended to provide some guidance as to the expected cashflows from these financial instruments and the level of exposure to interest rate risk. Interest rate risk is the sensitivity of financial position to changes in interest rates. The carrying amounts of interest sensitive assets and liabilities and the notional amount of swaps used to manage interest rate risk are presented in the periods in which they next reprice to market rates or mature. These values are summed to show the net interest sensitivity position. Loans are adjusted for prepayment estimates which reflect expected repayments on other than contractual maturity dates, based on experience and current economic conditions.

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.

Notes to Consolidated
Financial Statements

Balance (\$000's) at December 31, 2007	Period to Maturity				Total
	Not Interest Sensitive	Within 3 Months	4 Months to 1 Year	Over 1 to 7 Years	
Assets					
Cash resources	\$4,770	\$5,776	\$2,369	\$12,473	\$25,388
Loans	20	49,921	28,964	104,257	183,162
Investments & other	6,360	—	—	500	6,860
	11,150	55,697	31,333	117,230	215,410
Liabilities					
Deposits	66,548	32,150	67,178	34,195	200,071
Payables and accruals	1,490	—	—	—	1,490
Equity	13,849	—	—	—	13,849
	81,887	32,150	67,178	34,195	215,410
Net mismatch		23,547	(35,845)	83,035	
Swaps		(15,000)	5,000	10,000	
Interest sensitivity position		\$8,547	\$(30,845)	\$93,035	

17. 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.

The fair values of cash, 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.

	2007			2006
	Book Value	Fair Value	Difference	Difference
	\$000			\$000
Cash resources	\$25,388	\$25,297	\$ (91)	\$ (103)
Loans	183,162	181,241	(1,921)	412
Deposits	202,371	202,536	(165)	158
Derivative contracts	(77)	(77)	—	(45)
Fair value difference			\$ (2,177)	\$422

Notes

The “CutLoose Quilters” received a donation from the Community Support Fund for the purchase of material and other supplies needed to make two large Community Quilts!

The group of artistic women in Houston make community quilts for those in need in the area. Recipients have included victims of fire, cancer patients, and a number of other good candidates. Before the BVCU donation, the members of the CutLoose Quilters society have purchased the materials for the quilts themselves.

Community Quilters Were “Sew” Happy



Planning for More Than Just a Rainy Day

The Southside Health & Wellness Centre committed to building an Emergency Supply Warehouse in Grassy Plains in 2007. The warehouse will be near the Emergency Shelter location that was identified in the new Emergency Plan and the Health Centre. The Warehouse will be stocked with emergency food & water rations as well as bedding and other supplies. Half of the project costs were funded by the Health Centre and the balance will be from donations, one of which came from BVCU.

Notes

Bulkley Valley Credit Union received numerous invitations to attend the 4H Auction at the Bulkley Valley Exhibition. Our Chairperson attended the event and was the successful bidder of a Quick 4H Club steer. What would your credit union do with a steer, you ask??? Continuing to support the communities we serve, BVCU donated the beef to the Salvation Army food banks in the Hazeltons, Smithers and Houston.

A Win-Win Fall Fair Event



Made in the Bulkley Valley

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the power of membership

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