

2016 REPORT FROM THE CHAIR, BOARD OF DIRECTORS



On behalf of the Board of Directors, I am pleased to present the 2016 Annual Directors Report for Spruce Credit Union.

As we celebrate our 66th year, your Board of Directors is committed to strengthening Spruce Credit Union's foundation to ensure the stability and sustainability of the Credit Union. We are committed to becoming stronger partners with the membership, the staff and the community into the future.

The financial services industry is experiencing change like never before with an evolution toward mobile and innovative technology in banking. Member expectations for technology solutions will continue to grow and the new technology launched in 2016 provides the platform for Spruce Credit Union to remain competitive.

To provide a solid technology foundation, our primary focus for 2016 was completion of many technology upgrades. The CEO, Management team and all employees need to be commended for an excellent job on the success of the upgrade projects. Although we experienced some short term challenges, the staff have endeavored to become proficient with the new software and to improve the service levels provided to all members.

We believe that members should enjoy the convenience of new technology while we remain committed to personalized excellence in service to members.

We want to thank the membership for continued loyalty and trust placed in Spruce Credit Union and for remaining our partners in success.

Len Thony, Chairperson

Board of Directors

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS



To the Members of Spruce Credit Union,

The accompanying summary financial statements, which comprise the summary statement of financial position as at December 31, 2016, the summary statement of comprehensive income and members' equity and summary statement of cash flows for the year then ended, are derived from the audited financial statements of Spruce Credit Union for the year ended December 31, 2016. We expressed an unmodified audit opinion on those financial statements in our report dated March 13, 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 Spruce Credit Union.

MANAGEMENT'S RESPONSIBILITY FOR THE SUMMARY FINANCIAL STATEMENTS

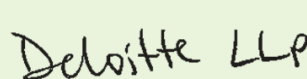
Management is responsible for the preparation of a summary of the audited financial statements in accordance with Article 128 of the Financial Institutions Act of British Columbia.

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 Standard (CAS) 810 "Engagements to Report on Summary Financial Statements".

OPINION

In our opinion, the summary financial statements derived from the audited financial statements of Spruce Credit Union for the year ended December 31, 2016 are a fair summary of those financial statements, in accordance with criteria described in Article 128 of the Financial Institutions Act of British Columbia.



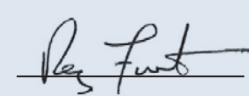
Chartered Professional Accountants

Prince George, BC
March 13, 2017

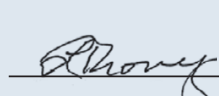
SPRUCE CREDIT UNION – SUMMARY STATEMENT OF FINANCIAL POSITION as at December 31, 2016

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 13,616,346	\$ 8,296,002
Investments	9,959,788	9,011,273
Loans to members	116,027,383	111,280,178
Property and equipment	1,500,993	1,527,999
Intangible assets	1,641,551	599,458
Deferred income taxes	-	25,000
Other assets	176,948	-
	<u>\$ 142,923,009</u>	<u>\$ 130,739,910</u>
LIABILITIES		
Deposits from members	\$ 131,225,779	\$ 120,047,772
Accounts payable and accrued liabilities	961,664	391,998
Other liabilities	30,000	5,624
Loan securitization financing	528,579	540,068
Membership shares	1,638,115	1,597,252
	<u>134,384,137</u>	<u>122,582,714</u>
MEMBERS' EQUITY		
Retained earnings	8,538,872	8,157,196
	<u>\$ 142,923,009</u>	<u>\$ 130,739,910</u>

Approved by the Board:



Director



Director

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

SPRUCE CREDIT UNION – SUMMARY STATEMENT OF COMPREHENSIVE INCOME AND MEMBERS' EQUITY for the year ended December 31, 2016

	2016	2015
Total interest and investment income	\$ 4,746,506	\$ 4,657,820
Total interest and other interest expense	1,333,493	1,537,456
Net interest margin	3,413,013	3,120,364
Allowance for credit losses	(273,000)	(311,163)
Net interest income	3,140,013	2,809,201
Other operating income	1,191,416	1,258,533
Total operating income	4,331,429	4,067,734
Total operating expenses	3,893,223	3,706,584
Income before income taxes	438,206	361,150
Income tax expense	56,530	78,358
Net income and total comprehensive income	381,676	282,792
Members' equity, beginning of year	8,157,196	7,874,404
Members' equity, end of year	<u>\$ 8,538,872</u>	<u>\$ 8,157,196</u>

SPRUCE CREDIT UNION – SUMMARY STATEMENT OF CASH FLOWS for the year ended December 31, 2016

	2016	2015
CASH GENERATED (USED) FROM		
Operating activities	\$ 7,390,654	\$ (10,276,040)
Investing activities	(2,236,981)	6,138,610
Financing activities	29,374	485,801
Net change in cash and cash equivalents	5,183,047	(3,651,629)
Effects of exchange rate changes on the balance of cash held in foreign currencies	137,297	84,093
Cash and cash equivalents, beginning of year	8,296,002	11,863,538
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 13,616,346</u>	<u>\$ 8,296,002</u>

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