

## **ANNUAL REPORT 2018 – COMPENSATION EMPLOYEES CREDIT UNION**

### **BOARD OF DIRECTORS REPORT**

The CECU staff and Board of Directors welcome you to the 65th Annual General Meeting of Compensation Employees Credit Union.

We are very pleased to report yet another successful year of operations and excited to announce dividends of 5% on Equity Shares and 1.7% on Savings Shares.

In 2018, a priority project was transitioning to a new banking platform. The project was hugely successful, led by Carol and her Management team in partnership with Central1. In addition, we continued to enhance our website with features to better serve our membership. In 2019, our priority continues to focus on exploring innovative ways to bring service, convenience, and profitability to our members.

In February 2019, the Financial Institutions Commission (FICOM) conducted a standard regulatory review of the Compensation Employees Credit Union relating to its financial stability, strategic positioning, processes and controls. The review recommended areas of improvement for our Management team and Board but also similarly highlight a number of strengths. We will take these recommendations seriously and have already taken steps to implement some of the recommendations communicated informally. Alongside our partners, ensuring continued profitability and strength for the Credit Union, and being guided by our vision and mission, the credit union can confidently deliver services that members want and need.

The Board of Directors would like to express their gratitude to WorkSafeBC for the continuing support of the Credit Union. We also would like to thank the General Manager, Carol de Haas, and the rest of the staff for their excellent service and efforts throughout the year.

A final thank you to our members. Your continued business and support is what makes us profitable, and keeps us relevant.

We look forward to another successful year in 2019.

Respectfully Submitted,

Board of Directors,  
Compensation Employees Credit Union

## **GENERAL MANAGER'S REPORT**

The year ending December 31, 2018 was another financially successful year for Compensation Employee's Credit Union. It was not a year of growth, but profitability again resulted in a healthy return for members.

In 2018, the Credit Union experienced a 7.8% decline in assets, mostly due to mortgages declining by \$2.6M which was a planned slowdown due to lower liquidity. Total Deposits were also down by 6%. Investments in Central1 stayed about the same. This change in the asset mix supported the Credit Union earning a healthy profit for members with an interest margin of 2.02% and net earnings at over \$53K.

The Board of Directors declared dividends of 5% on Equity Shares and 1.70% on Savings Shares. This resulted in a payment of over \$338K to members. The Credit Union is committed to building a strong capital base, to ensure future profitability for members and also protect against the risks involved with interest rate changes.

2018 was also a year for the planning and implementation of our new banking system. A very busy year! I would like to thank our staff for helping to make this a huge success, with minimal disruption to members.

Our website offers accessibility and online services including online banking as well as information about other services including mortgages, loans, & registered plans. We've also recently added e-transfers, online calculators, loan & membership applications, and more areas for members to contact us.

Management and Directors have been busy strategically planning for the future of the Credit Union. It is important to ensure that dealing with CECU continues to be convenient for all members. We continue to work on better access to funds and information for all members across BC. And, as a BC Credit Union member, deposits carry unlimited deposit insurance protection.

I would like to thank the Credit Union Board of Directors for their commitment and support. As a team, they develop policies and strategic objectives to ensure the profitability and strength of the Credit Union. The Directors are very responsive to member's needs and concerns, and encourage input. And, we are very grateful to WorkSafeBC for the many services provided.

A final THANKS to the members. As members, you are owners, and it's your business and support that makes the credit union prosper. We look forward to another profitable and successful year in 2019.

Respectfully Submitted,  
Carol de Haas  
General Manager

## Report of the Independent Auditor on the Summarized Financial Statements

To the Members of Compensation Employees Credit Union:

### Opinion

The summary financial statements, which comprise the summary statement of financial position as at December 31, 2018, and the summary statements of comprehensive income and changes in members' equity and cash flows for the year then ended are derived from the audited financial statements of Compensation Employees Credit Union (the "Credit Union") for the year ended December 31, 2018.

In our opinion, the accompanying summary financial statements are a fair summary of the audited financial statements.

### Summary Financial Statements

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon.

### The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated February 26, 2019.

### Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements.

### Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are a fair summary of the audited financial statements based on procedures, which were conducted in accordance with Canadian Auditing Standards (CAS) 810, Engagements to Report on Summary Financial Statements.

Abbotsford, BC  
February 26, 2019

Professional Accountants

*MNP LLP*

Chartered

### Compensation Employees Credit Union Summarized Statement of Financial Position December 31, 2018

	2018	2017
<b>Assets</b>		
Cash and equivalents	1,062,430	1,146,020
Investments	2,559,301	2,534,655
Member loans receivable	25,750,147	28,443,396
Income taxes receivable	18,156	376
Intangible assets	206,144	-
Deferred tax asset	-	12,000
	<b>29,596,178</b>	<b>32,136,447</b>
<b>Liabilities</b>		
Member Deposits	27,097,290	28,704,412
Borrowings	-	1,000,000
Accounts payable and accrued liabilities	59,017	36,368
Deferred tax liabilities	2,000	-
	<b>27,158,307</b>	<b>29,740,780</b>
<b>Members' equity</b>		
Equity shares	649,196	660,198
Retained earnings	1,788,675	1,735,469
	<b>2,437,871</b>	<b>2,395,667</b>
	<b>29,596,178</b>	<b>32,136,447</b>

Approved on behalf of the Board of Directors

“Andrew Yiu”

“Sharlene Ford”

**Compensation Employees Credit Union**  
**Summarized Statements of Comprehensive Income and Changes in Members' Equity**  
**December 31, 2018**

	<b>2018</b>	<b>2017</b>
<b>Interest income</b>	<b>1,045,205</b>	1,022,274
<b>Interest expense</b>	<b>448,075</b>	450,465
<b>Financial margin</b>	<b>597,130</b>	571,809
<b>Other income</b>	<b>50,557</b>	29,463
<b>Operating margin</b>	<b>647,687</b>	601,272
<b>Operating expenses</b>	<b>545,649</b>	500,880
<b>Income before provision for impaired loans</b>	<b>102,038</b>	100,392
<b>Provision for impaired loans</b>	<b>9,000</b>	-
<b>Income before taxes</b>	<b>93,038</b>	100,392
<b>Income taxes</b>	<b>7,844</b>	8,624
<b>Comprehensive Income</b>	<b>85,194</b>	91,768
<b>Members' equity, beginning of year</b>	<b>2,395,667</b>	2,326,533
Equity share dividends	<b>(31,988)</b>	(32,443)
Net issuance (redemption) of equity shares	<b>(11,002)</b>	9,809
<b>Members' equity, end of year</b>	<b>2,437,871</b>	2,395,667

**Compensation Employees Credit Union**  
**Summarized Statement of Cash Flows**  
**December 31, 2018**

	<b>2018</b>	<b>2017</b>
<b>Cash provided by (used for) the following activities</b>		
Operating activities	<b>89,770</b>	<b>105,801</b>
Financing activities	<b>(2,624,284)</b>	<b>516,369</b>
Investing activities	<b>2,450,924</b>	<b>311,893</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(83,590)</b>	<b>934,063</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,146,020</b>	<b>211,957</b>
<b>Cash and cash equivalents, end of year</b>	<b>1,062,430</b>	<b>1,146,020</b>

*Note: Readers are cautioned that these summarized financial statements do not include all the disclosures required for complete and fair presentation.*

## **Compensation Employees Credit Union**

### **2018 Disclosure KMP**

#### **Directors Remuneration, Expenses & GM Compensation**

Director Remuneration (there are 7 Directors):

- Each Board member receives \$100 per regular board meeting attended (max 10/year).
- In addition to the above, once per year the Board Chair receives \$600; Vice Chair receives \$300; Secretary receives \$200.
- Chairs of Statutory Committees receive \$100 once per year.
- The Statutory Committee members also receive \$50 per meeting (to a max of 1 to 4 meetings per year depending on the committee).

General Manager Compensation:

- Base pay \$85,000 with up to 10% variable pay.

**In 2018 the total of the above paid to the Directors & General Manager was \$99,508.**

Other Board Expenses:

Board meeting and training expenses: \$4137.27