

ANNUAL REPORT– COMPENSATION EMPLOYEES CREDIT UNION 2020

BOARD OF DIRECTOR’S REPORT

The CECU staff and Board of Directors welcome you to the 67th 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 1.15% on Savings Shares. Our priority continues to focus around our members by improving service, products, convenience and profitability. We are very proud of the dividend rates we offer given the pandemic and its impact on the financial climate. In 2020, achieving a rate of 5% on Equity Shares and 1.15% on Savings Shares is a competitive rate to any financial institution in our system. This is only done through the continued commitment to give as much to our members, while ensuring the financial stability and security of what is ultimately, our members’, and your money.

In 2020, the CECU, like many businesses, was responding to the Covid-19 pandemic, and our priority was to continue to provide financial access and quality service to our members. The CECU prioritized and deferred many projects that would have provided additional efficiencies to our organization. Understanding that we are still in uncertain times and the pandemic continues into 2021, we are excited to begin them in the future and further improve the products and services offered to our members.

Last year, the Board presented to members that the Financial Institutions Commission (FICOM), now known as BC Financial Services Authority (BCFSA), conducted a standard regulatory review of the CECU. The CECU accepted these recommendations and this was a priority project for the organization over the course of 2020. With the support of Stabilization Central, the CECU was able to implement a number of key recommendations to provide better financial stability, processes and controls. It is only through the perseverance of Carol and her team to be able to have completed the project in a very challenging year.

The Compensation Employees Credit Union anticipates more challenges to come as the pandemic extends into 2021. We are optimistic of a vaccine and the signs of financial recovery since the height of the pandemic and confident that our organization will be prepared to support our members in any adaptation. In 2021, as our business heads towards normalcy, we prepare for our Forge conversion, which will allow for enhanced services and an improved banking experience with the CECU.

In closing, the Board of Directors would like to express their gratitude to WorkSafeBC for the continued support of the Credit Union. We also would like to thank our 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 you, our members. Your continued business and support is what makes us profitable, and keeps us relevant.

Respectfully Submitted,

Board of Directors,
Compensation Employees Credit Union

GENERAL MANAGER'S REPORT

The year ending December 31, 2020 was another financially successful year for Compensation Employee's Credit Union. It was a year of growth and profitability again resulting in a healthy return for members.

In 2020, the Credit Union experienced a 19% increase in assets. This was due to a 21% increase in deposits (\$5.5M). Total Loans decreased by 6% (\$1.4M) which was mostly due to mortgages declining. Investments in Central1 increased. This change in the asset mix supported the Credit Union earning a healthy profit for members with an interest margin of 1.74% and net earnings at over \$39K.

The Board of Directors declared dividends of 5% on Equity Shares and 1.15% on Savings Shares. This resulted in a payment of over \$235K 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.

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.

2020 was a challenging year with Covid19, staff changes, computer changes etc. I would like to give a big thank you to our amazing CU staff. They are a strong team, committed to serving members and have worked so very hard this past year. Thank you!!

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 2021.

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, 2020, 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, 2020.

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 23, 2021.

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 our procedures, which were conducted in accordance with Canadian Auditing Standards (CAS) 810, Engagements to Report on Summary Financial Statements.

MNP LLP

Chartered Professional Accountants

Abbotsford, BC

February 23, 2021

Compensation Employees Credit Union
Summarized Statement of Financial Position
December 31, 2020

	2020	2019
Assets		
Cash and cash equivalents	12,425,320	2,912,449
Investments	142,742	2,555,298
Member loans receivable	21,562,219	23,056,547
Income taxes receivable	9,357	11,746
Intangible assets	169,590	187,715
	34,309,228	28,723,755
Liabilities		
Member Deposits	31,763,348	26,226,528
Accounts payable and accrued liabilities	31,003	28,245
Deferred tax liabilities	15,000	14,000
	31,809,351	26,268,773
Members' equity		
Equity shares	626,007	620,257
Retained earnings	1,873,870	1,834,725
	2,499,877	2,454,982
	34,309,228	28,723,755

Approved on behalf of the Board of Directors

“Farhard Mistry” _____

Director

“Andrew Yiu” _____

Director



Compensation Employees Credit Union
Summarized Statements of Comprehensive Income and Changes in Members' Equity
December 31, 2020

	2020	2019
Interest income	947,538	1,013,718
Interest expense	349,777	404,295
Financial margin	597,761	609,423
Other income	28,347	38,593
Financial margin and other income	626,108	648,016
Operating expenses	521,063	545,217
Income before provision for impaired loans	105,045	102,799
Provision for impaired loans	32,486	15,000
Income before income taxes	72,559	87,799
Income taxes	2,643	11,254
Comprehensive Income	69,916	76,545
Members' equity, beginning of year	2,454,982	2,437,871
Equity share dividends	(30,771)	(30,495)
Net issuance (redemption) of equity shares	5,750	(28,939)
Members' equity, end of year	2,499,877	2,454,982

Compensation Employees Credit Union
Summarized Statement of Cash Flows
December 31, 2020

	2020	2019
Cash provided by (used for) the following activities		
Operating activities	123,827	53,353
Financing activities	5,533,415	(884,575)
Investing activities	3,855,629	2,681,241
Increase in cash and cash equivalents	9,512,871	1,850,019
Cash and cash equivalents, beginning of year	2,912,449	1,062,430
Cash and cash equivalents, end of year	12,425,320	2,912,449

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

2020 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 2020 the total of the above paid to the Directors & General Manager was \$100,220.

Other Board Expenses:

Board meeting and training expenses: \$1790.39