

ANNUAL REPORT – Compensation Employees Credit Union 2019

BOARD OF DIRECTORS REPORT

The CECU staff and Board of Directors welcome you to the 66th 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 1.6% on Savings Shares.

In 2019, a priority project was completing our transition 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 addition, of the course of 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 ensure we meet our committed deadline of June 2020. Our priority continues to focus around our members by improving service, products, convenience and profitability. We look forward to another successful year in 2020.

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 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, 2019 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 2019, the Credit Union experienced a 2.95% decline in assets, mostly due to mortgages declining by \$2.7M which was planned to increase our liquidity. Total Deposits were also down by 3%. 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 2.12% and net earnings at over \$46K.

The Board of Directors declared dividends of 5% on Equity Shares and 1.60% on Savings Shares. This resulted in a payment of over \$300K 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.

2019 was also a year for learning and integrating our new banking system. Another very busy year! I would like to thank our staff for helping to make this successful 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 2020.

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, 2019, 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, 2019.

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 25, 2020.

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

Abbotsford, BC
February 25, 2020

Chartered Professional Accountants

Compensation Employees Credit Union Summarized Statement of Financial Position December 31, 2019

	2019	2018
Assets		
Cash and equivalents	2,912,449	1,062,430
Investments	2,555,298	2,559,301
Member loans receivable	23,056,547	25,750,147
Income taxes receivable	11,746	18,156
Intangible assets	187,715	206,144
	28,723,755	29,596,178
Liabilities		
Member Deposits	26,226,528	27,097,290
Accounts payable and accrued liabilities	28,245	59,017
Deferred tax liabilities	14,000	2,000
	26,268,773	27,158,307
Members' equity		
Equity shares	620,257	649,196
Retained earnings	1,834,725	1,788,675
	2,454,982	2,437,871
	28,723,755	29,596,178

Approved on behalf of the Board of Directors

Farhad J. Mistry

[Signature]

MNP
LLP

Compensation Employees Credit Union
Summarized Statements of Comprehensive Income and Changes in Members' Equity
December 31, 2019

	2019	2018
Interest income	1,013,718	1,045,205
Interest expense	404,295	448,075
Financial margin	609,423	597,130
Other income	38,593	50,557
Operating margin	648,016	647,687
Operating expenses	545,217	545,649
Income before provision for impaired loans	102,799	102,038
Provision for impaired loans	15,000	9,000
Income before taxes	87,799	93,038
Income taxes	11,254	7,844
Comprehensive Income	76,545	85,194
Members' equity, beginning of year	2,437,871	2,395,667
Equity share dividends	(30,495)	(31,988)
Net redemption of equity shares	(28,939)	(11,002)
Members' equity, end of year	2,454,982	2,437,871

Compensation Employees Credit Union
Summarized Statement of Cash Flows
December 31, 2019

	2019	2018
Cash provided by (used for) the following activities		
Operating activities	53,353	89,770
Financing activities	(884,575)	(2,624,284)
Investing activities	2,681,241	2,450,924
Increase (decrease) in cash and cash equivalents	1,850,019	(83,590)
Cash and cash equivalents, beginning of year	1,062,430	1,146,020
Cash and cash equivalents, end of year	2,912,449	1,062,430

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

2019 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 2019 the total of the above paid to the Directors & General Manager was \$98,203.

Other Board Expenses:

Board meeting and training expenses: \$3474.05