



CRESTON & DISTRICT

CREDIT UNION

ANNUAL
REPORT
2021

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We are pleased to report our results for 2021. It has been a great year of performance across our business lines. The real estate market took centre stage with unusually strong demand all year. Real estate prices increased significantly, and commercial activity was busy all year. Increased capital flows into our valley supported demand and allowed us to increase deposits, loans, and assets.

2021 was our 70th year of operations. We are grateful to participate in the financial well being of this community and our valley. We thank all those who support us as we continue serving you for years to come. We had a 70th anniversary party in October and it was an enjoyable day despite the limitations associated with the pandemic. We had a talented team of Board members and staff who organized the event, and we thank all those who assisted us in making our anniversary a memorable one. The feedback from our members was excellent and we were pleased with the outcome.

At our Planning Session in September, we updated our strategic plan. Our goal is to build a digital strategy which brings value to our members by modernizing our technology, enhancing services across delivery channels, and improving our business processes so that we can be nimble in a fast paced and ever-changing financial environment. Our business plan requires us to find the balance between the implementation of this strategy and an acceptable cost structure that suits our needs. In a complex financial landscape, your Board and management is taking a balanced and thoughtful approach to move forward.

Financial performance in 2021 exceeded our goals and expectations. Assets grew by 15%, deposits grew by 16.6%, loans grew 4% and consolidated net income grew 28% over the prior year. Our capital and liquidity remained solidly better than the previous years as well. All these factors reflect the busy economic conditions of our valley and as our members benefit, so does our Credit Union. Dividends and patronage rebates increased almost 5% over the prior year to \$285,028.

Our outlook for 2022 is positive as economic activity in our community is strong. Issues such as rising inflation, rising prices, and rising interest rates give pause, but we remain cautiously optimistic. Our valley has benefitted from many new entrants, bringing with them an influx of capital, and we are optimistic for this trend to continue.

We thank our Board, management and staff for their dedication, hard-work, and commitment to service. We also thank our membership for their continued trust and confidence.

Respectfully,



Jim Ryckman
President



Lawrence Makortoff
CEO



Jim Ryckman



Lawrence Makortoff



Report of the Independent Auditor on the Summarized Consolidated Financial Statements

To the members of [Creston & District Credit Union](#)

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Opinion

The accompanying summarized consolidated financial statements, which comprise the summarized consolidated statement of financial position as at December 31, 2021, the summarized consolidated statements of comprehensive income, changes in members' equity, and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Creston & District Credit Union as at December 31, 2021.

In our opinion, the accompanying summarized consolidated financial statements are a fair summary of the financial statement, in accordance with Article 128 of the Financial Institutions Act of B.C.

Summarized Consolidated Financial Statements

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

The summarized consolidated financial statements and the audited consolidated financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited consolidated financial statements.

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on those consolidated financial statements in our report dated March 23, 2022.

Management's Responsibility for the Summarized Consolidated Financial Statements

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

Auditor's responsibility

Our responsibility is to express an opinion on the summarized consolidated financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, "Engagements to Report on Summary Financial Statements."

Trail, Canada
March 23, 2022

Chartered Professional Accountants

Grant Thornton LLP

Audit | Tax | Advisory

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Creston & District Credit Union Summarized Consolidated Statement of Financial Position

December 31	2021	2020
Assets		
Cash and cash equivalents	\$ 18,743,436	\$ 20,478,013
Investments	64,696,203	42,133,064
Receivables and prepaid expenses	368,086	86,678
Loans	92,528,546	88,968,041
Property, plant and equipment	985,841	1,008,652
Investment property	356,221	366,174
Investment in and advances to associates	10,328,205	10,391,192
Total assets	\$ 188,006,538	\$ 163,431,814
Liabilities		
Deposits	\$ 163,212,665	\$ 139,940,165
Payables and other liabilities	741,297	700,416
Income taxes payable	92,058	23,591
Deferred income tax	15,000	26,000
Total liabilities	164,070,020	140,690,172
Members' equity		
Retained earnings	20,093,550	18,700,070
Members' shares	3,900,494	4,041,572
Accumulated other comprehensive loss	(57,526)	-
Total members' equity	23,936,518	22,741,642
	\$ 188,006,538	\$ 163,431,814

On behalf of the Board



Director



Director

Creston & District Credit Union Summarized Consolidated Statement of Earnings and Comprehensive Income

Year ended December 31	2021	2020
Financial income	\$ 4,093,762	\$ 4,227,272
Financial expense	550,819	781,933
Financial margin	3,542,943	3,445,339
Equity in income of subsidiaries	537,013	575,402
Other income	882,504	421,115
Operating income	4,962,460	4,441,856
Operating expenses	2,992,075	2,948,879
Distributions to members	285,028	271,666
Earnings before income taxes	1,685,357	1,221,311
Income taxes	291,877	179,999
Net earnings	\$ 1,393,480	1,041,312
Other comprehensive loss, net of tax	(57,526)	-
Comprehensive income	1,335,954	1,041,312

Creston & District Credit Union Summarized Consolidated Statement of Changes in Members' Equity

Year ended December 31, 2021

	Members' Shares	Retained Earnings	Accumulated other comprehensive income	Total members' equity
Balance on December 31, 2019	\$ 4,234,841	\$ 17,658,758	\$ -	\$ 21,893,599
Net earnings	-	1,041,312	-	1,042,312
Change in members' shares, net	(193,269)	-	-	(193,269)
Balance on December 31, 2020	4,041,572	18,700,070	-	22,741,642
Net earnings	-	1,393,480	-	1,393,480
Unrealized loss on debt securities, net of tax (\$21,777)	-	-	(57,526)	(57,526)
Change in members' shares, net	(141,078)	-	-	(141,078)
Balance on December 31, 2021	\$ 3,900,494	\$ 20,093,550	\$ (57,526)	\$ 23,936,518

Creston & District Credit Union Summarized Consolidated Statement of Cash Flows

Year ended December 31	2021	2020
Increase (decrease) in cash and cash equivalents		
Operating activities	\$ 20,480,386	\$ 11,427,541
Financing activities	(141,078)	(193,269)
Investing activities	(22,073,885)	8,318,826
Net (decrease) increase in cash and cash equivalents	(1,734,577)	19,553,098
Cash and cash equivalents, beginning of year	20,478,013	924,915
Cash and cash equivalents, end of year	\$ 18,743,436	\$ 20,478,013

A full set of consolidated financial statements are available from the Credit Union

Governance Report

Creston & District Credit Union is governed by a Board of Directors elected by the Credit Union's members. The Board of Directors is responsible under law for the management of the Credit Union's business and its affairs. It has the statutory authority and obligation to protect and enhance the assets of the Credit Union in the interests of all members. The duties and responsibilities of the Board of Directors are set out in mandate for the Board and include providing the mission and goals for the Credit Union, principles and values, developing a governance system and an overall risk appetite to manage and monitor applicable risks.

Board Executive Committee

The Board Executive Committee consists of the Board Chair, the Vice-Chair and the Secretary. The Board Executive Committee provides guidance and oversight in the effective functioning of the Board of Directors.

Governance & HR Committee

The Governance & HR Committee supports the Board's accountability to ensure effective oversight of the HR practices and organizational performance through the Credit Union employees. The Committee supports the Board in matters relating to CEO recruitment and performance.

Audit & Risk Committee

The Audit & Risk Committee's role is to ensure there is an effective risk management and control framework implemented. This framework should provide reasonable assurance that the financial, operational, regulatory, strategic and sustainability objective of the Credit Union are achieved, and that the accountabilities of the Board and Management are met.

The Committee is responsible for the qualification, independence and performance of the external and internal audit functions. This includes ensuring the integrity of financial and non-financial reporting and compliance with regulatory matters.

Conduct Review Committee

The Conduct Review Committee oversees the Credit Union's business standards and ethical conduct and related party loans and transactions entered into by the Credit Union. The Credit Union ensures compliance with relevant legislative internal policies and codes.

Nominating Committee

The Nominating Committee assists the Board in the recruitment of qualified directors and to ensure the Board's competency to fulfill its responsibilities.

Investment & Loan Committee

The Investment & Loan Committee assists the Board in fulfilling its responsibility for overseeing the Investment and Lending Policy of the Credit Union.

Credit Committee

The Credit Committee assists the Board of Directors in the oversight of the Lending Policy by provincial review and/or approval of member loans as set out in the Investment and Lending Policy of the Credit Union.

Board of Directors

The Board of Directors are a dedicated group of volunteers who have well rounded and significant experience to support their roles. They strive to ensure the well-being of the Credit Union so that it can serve its membership in a safe, secure, and relevant manner. With a common vision, the Board works together for the present and the future of the Credit Union.



Jim Ryckman
President



Don Tarrant
Vice-President



Don Low
Secretary



Rob Simpson
Director



Carole Materi
Director



Carrie Czar
Director



Rick Minichiello
Director

Director Compensation Disclosure

Creston & District Credit Union Directors are expected to dedicate considerable time to their positions providing oversight for the Credit Union and reporting to the membership annually. They attend Board Meetings, Annual Planning Sessions, numerous Committee Meetings and several industry and regulatory functions as required. In order to attract and retain qualified Directors, they are compensated for attending meetings and functions and reimbursed for expenses such as meals, travel and accommodation. The compensation is comparable to other credit unions and financial institutions.

For fiscal 2021, compensation received for each Director is outlined in the table below, along with meeting attendance.

Director Compensation Disclosure - 2021						
Director Name	Role as at December 31, 2021	Board Meetings Attended	Committee Meetings Attended	Directors Remuneration	Other Expenses	Total Compensation
<i>Carole Materi</i>	<i>Director</i>	18	10	\$7,125	\$528	\$7,653
<i>Jim Ryckman</i>	<i>President</i>	18	5	\$8,875	\$554	\$9,429
<i>Don Tarrant</i>	<i>Vice-President</i>	18	12	\$7,250	\$631	\$7,881
<i>Carrie Czar</i>	<i>Director</i>	18	10	\$7,000	\$502	\$7,502
<i>Rob Simpson</i>	<i>Director</i>	18	7	\$5,625	\$540	\$6,165
<i>Don Low</i>	<i>Secretary</i>	18	8	\$6,250	\$528	\$6,778
<i>Rick Minichiello</i>	<i>Director</i>	17	11	\$6,375	\$0	\$6,375
TOTALS				\$48,500	\$3,283	\$51,783

Rounded to nearest \$

Creston & District Credit Union Compensation Philosophy

Creston & District Credit Union's Compensation Philosophy applies equally to all employees and is measured against the market of similar sized credit unions. We seek to balance fairness, affordability and comparable compensation measures. Our compensation system is fundamental to attracting, retaining, rewarding and motivating talented individuals needed for the success of the Credit Union.

CEO Compensation

CEO compensation is established by the Board and is based on comparative asset groups across Canada as determined by an annual Central1 Credit Union Survey of Credit Union Compensation. Creston & District Credit Union participates in the survey, the CEO participates in the same comprehensive benefits plan as all other employees. In addition, the CEO participates in the Creston & District Credit Union's RRSP/Pension Plan where employees are paid a percentage of their base salary into an RRSP/Pension Plan. The CEO participates in a profit share plan with the same terms as all other employees and in accordance with Board approved policies.

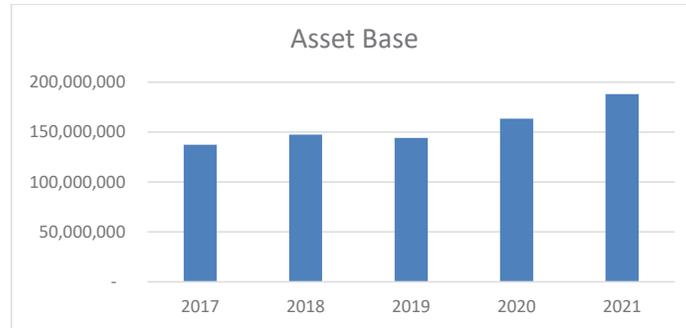
For year end December 31, 2021, the CEO received total compensation of \$202,212.49 which represents base salary, RRSP/Pension contributions, bonus, profit share, and benefits.

Management Discussion and Analysis

2021 was a year of robust performance for our Credit Union. A busy real estate and growing commercial market in the Creston Valley supported economic activity. We grew in all aspects of our business, and we worked extremely hard along with our members to yield the benefits of a strong local economy. Despite the on-going pandemic, we were able to produce the following results:

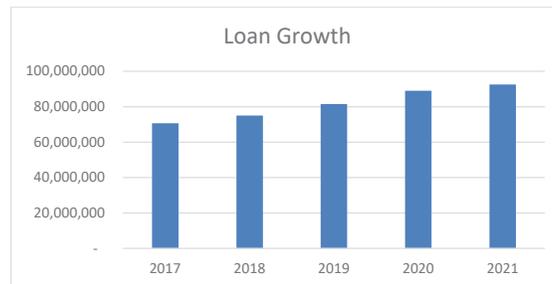
Assets

Assets grew by 15.0% or \$24.6 Million. We had significant growth in cash and investments of \$20.8 Million. As the diagrams below show, deposits and assets continue moving in tandem.



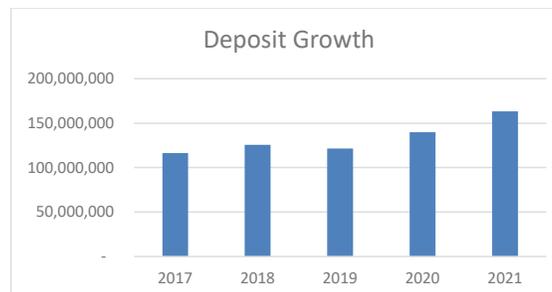
Loans

The real estate market was very busy in 2021. Asset prices increased substantially in the Creston Valley supported by strong demand in the local market. Our loan portfolio grew 4.0 % with solid growth in our commercial portfolio. The trend is illustrated below.



Deposits

Deposit growth was 16.6% or \$23.3 Million. Members continue to look for safety and security of their deposits. Continued travel restrictions and other related issues of the pandemic affected the decisions of our members and they placed their deposits at our Credit Union. Member deposits are 100% guaranteed.



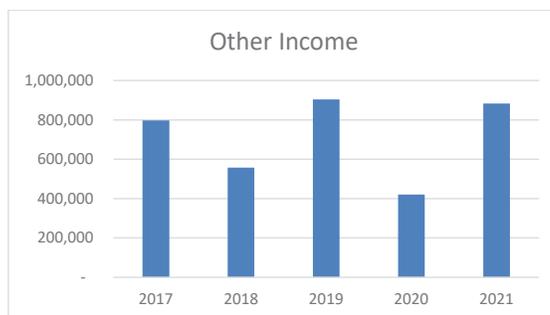
Financial Margin

Interest rates remained stable in 2021. Deposit rates remained low throughout the year. There was significant residential mortgage rate competition much of the year, which added pressure. Fortunately, we maintained our margin with a slight increase of 2.8% over the prior year. It was a busy year for loans and deposits which reflected the busy nature of economic activity throughout the Creston Valley.



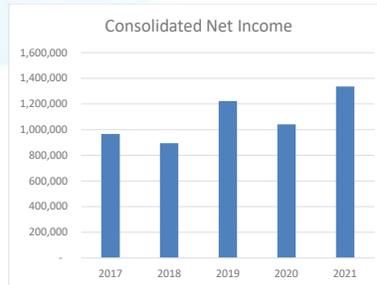
Other Income

Transaction volumes returned in 2021 which allowed for increased revenue from service charges. Foreign exchange income improved significantly. This segment contributed to the rebound in net income from the prior year. Total other income was \$882,504 vs. \$421,115 in the prior year for an increase in this segment of 109%. Please refer to Note 16 in the consolidated financial statements for a breakdown of each line item.



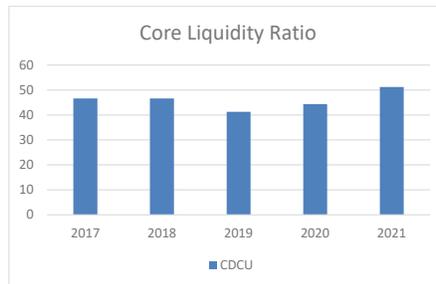
Net Income

Consolidated Net Income for 2021 is \$1,335,954 vs \$1,041,312 in 2020. Equity in income of subsidiaries is \$537,013 in 2021 vs. \$575,402 in 2020. On a non-consolidated basis specifically branch operations, which excludes dividend payments from our subsidiary, we produced net income of \$787,235 vs \$453,750 in 2020.



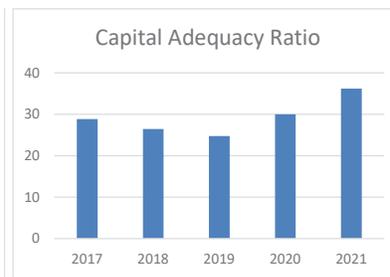
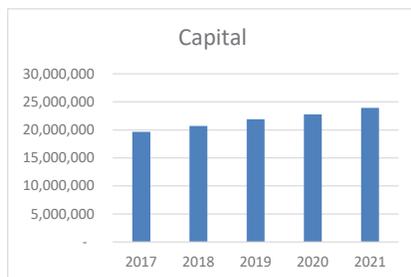
Liquidity

Our Credit Union maintains strong liquidity levels. The Credit Union minimum core liquidity target is 12 – 15%, while actual is 51%.



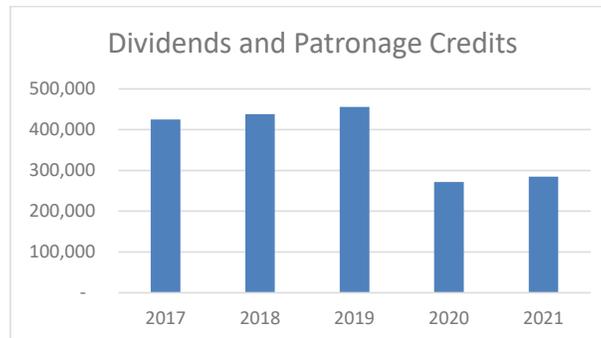
Capital and Capital Adequacy Ratio

Our capital position has grown steadily which provides support to our balanced approach of increasing earnings and returning dividends and patronage to members. Our Capital Adequacy Ratio of 36.17% is well above regulatory requirements of 8% and our Internal Capital Target of 12%.



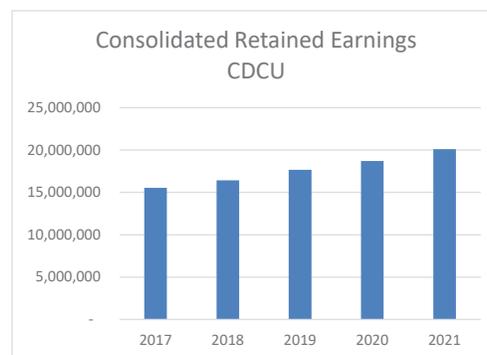
Dividends and Patronage

We continue to generate strong earnings. Profits have allowed the Board to return consistently strong dividends and patronage back to members. In 2021, the Board returned \$285,028 to members. This is an increase of almost 5.0% over the prior year.



Consolidated Retained Earnings

Our consolidated retained earnings have grown in steady fashion indicating stable earnings. Excluding member equity share investment, this represents the net worth of the Credit Union.



Outlook for 2022

We look forward to 2022 as the year we get back to regular activities as the pandemic recedes. Though we remain cautious of further outbreaks, we are looking ahead. The real estate market remains busy, however lower inventory of houses for sale is beginning to slow activity in the Creston Valley. As well, rising inflation is bringing about rising interest rates, which indicates strong demand and activity but over time, may serve to slow economic activity.

With those issues in mind, strong demand persists as many new people are entering our valley seeking the great quality of life we all enjoy. We remain positive and look forward to 2022 and the future. We have a wonderful team at the Credit Union, and we are confident in our plans to grow and participate in the community going forward.

We are grateful for the support of our members, and we look forward to serving them and meeting their needs in the years to come. We thank our members for placing their confidence in us and we look forward to growing and prospering together.



MISSION

Creston & District Credit Union is and will continue to be a sound, profitable, independent, progressive, service-oriented financial institution. We are dedicated to servicing our members' needs and committed to contributing to the well-being of our community.



Photo Credit: Andrew Bibby

CRESTON & DISTRICT

CREDIT UNION

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