

**REPORT OF THE INDEPENDENT AUDITOR
ON THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS**

To the members of Summerland & District Credit Union

Opinion

The accompanying summarized consolidated financial statements, which comprise the summarized consolidated statement of financial position as at December 31, 2019, 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 Summerland & District Credit Union as at December 31, 2019.

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 10, 2020.

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."



Kelowna, Canada
March 10, 2020

Chartered Professional Accountants
200-1633 Ellis Street Kelowna, BC V1Y 2A8

Members may obtain a free copy of the full consolidated financial statements from the Credit Union

**SUMMERLAND & DISTRICT CREDIT UNION
Summarized Consolidated Statement of Changes In Members' Equity**

Year ended December 31

	Members' shares	Retained earnings	Accumulated other comprehensive income	Total
Balance on December 31, 2018	\$ 171,565	\$ 20,750,309	\$ (108,105)	\$ 20,813,769
Net earnings	-	1,824,160	-	1,824,160
Distributions to members	-	(8,571)	-	(8,571)
Change in members' shares, net	(148)	-	-	(148)
Other comprehensive income				
Change in unrealized gains on cash flow hedges, net of tax of \$50,213			245,164	245,164
Revaluation of intangible assets in associate	-	-	(332,500)	(332,500)
Balance on December 31, 2019	\$ 171,417	\$ 22,565,898	\$ (195,441)	\$ 22,541,874

**SUMMERLAND & DISTRICT CREDIT UNION
Summarized consolidated statement of financial position**

December 31 **2019** 2018

	2019	2018
Assets		
Cash and cash equivalents	\$ 24,012,978	\$ 8,171,728
Receivables and other assets	350,816	303,743
Income tax recoverable	17,250	-
Investments	29,457,950	26,380,651
Loans	257,361,537	234,432,620
Property and equipment	3,351,492	3,435,559
Intangible assets	66,978	68,600
Investment in associate	3,479,632	3,744,360
Investment properties	364,885	364,885
Total assets	\$318,463,518	\$ 276,902,146

Liabilities		
Deposits	\$293,770,453	\$253,912,638
Payables and other accrued liabilities	1,671,062	1,264,455
Income taxes payable	-	161,230
Derivative financial instruments	17,679	303,535
Deferred income tax	397,646	378,646
Members' shares	64,804	67,873
Total liabilities	295,921,644	256,088,377

Members' equity		
Members' shares	171,417	171,565
Retained earnings	22,565,898	20,750,309
Accumulated other comprehensive (loss) income	(195,441)	(108,105)
Total members' equity	22,541,874	20,813,769
	\$318,463,518	\$ 276,902,146

On behalf of the Board:

 Sandy Berry
Board Chair

 Basil Cogill
Chair, Audit & Risk Management Committee

**SUMMERLAND & DISTRICT CREDIT UNION
Summarized consolidated statement of earnings and comprehensive income**

Year ended December 31 **2019** 2018

Financial income	\$ 10,004,546	\$ 8,679,443
Financial expense	4,090,828	2,825,638
Financial margin	5,913,718	5,853,805
Other income	1,374,358	1,364,342
Operating margin	7,288,076	7,218,047
Operating expenses	5,169,415	5,228,950
Earnings before other expense and income taxes	2,118,661	1,989,097
Other income	-	193,581
Earnings before income taxes	2,118,661	2,182,678
Income taxes	294,501	321,240
Net earnings	1,824,160	1,861,438
Other comprehensive loss, net of tax	(87,336)	(106,187)
Comprehensive income	\$ 1,736,824	\$ 1,755,251

**SUMMERLAND & DISTRICT CREDIT UNION
Summarized consolidated statement of cash flows**

Year ended December 31 **2019** 2018

Increase (decrease) in cash resources		
Operating activities	\$ 19,376,577	\$ (148,731)
Financing activities	(312,773)	(279,590)
Investing activities	(3,222,554)	(752,524)
Net (decrease) increase in cash and cash equivalents	15,841,250	(1,180,845)
Cash and cash equivalents, beginning of year	8,171,728	9,352,573
Cash and cash equivalents, end year	\$ 24,012,978	\$ 8,171,728



AGM & Directors' Election Update

In keeping with the need for social distancing, Summerland & District Credit Union has postponed the 2020 Board of Directors' election and its Annual General Meeting (note, it was previously scheduled for May 7, 2020). No alternate date has yet been set.

We will communicate to members in the near future with details as to when the Directors' election and AGM will be held.

In the interim, we have sent this Annual Report to all members and it will be posted on our website along with the credit union's consolidated financial statements.

Please check www.sdcu.com often for the latest updates and information.



**2019
Member Rewards**

8% BONUS INTEREST

8% SERVICE CHARGE REBATES

4% LOAN INTEREST REBATES



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**ANNUAL REPORT
2019**

We Enrich Lives

SUMMERLAND & DISTRICT CREDIT UNION ANNUAL REPORT TO THE MEMBERSHIP

On behalf of the board of directors and management, we are pleased to present the annual report to our members for the fiscal year ending December 31, 2019.

Activities

This past year, Summerland and District Credit Union achieved a major milestone as we moved into our 75th year of operations. We marked the occasion with a few events throughout the year and also made some notable contributions in addition to our normal community giving. We donated \$7,500 to the skateboard park in Summerland to assist in community efforts to achieve the fundraising goal. We also supported the Remembrance Day Banner Project in recognition of our service men and women who provided us with the freedom we enjoy today. This last year we contributed funding for eight more banners and over the past few years we have contributed a few thousand dollars to this project. We also set up a Summerland Credit Union Legacy Fund through the South Okanagan Similkameen Community Foundation with an initial seed contribution of \$75,000. This legacy fund is set up for the benefit of our members and communities, with annual income from the fund going to support worthwhile projects as determined annually by our board of directors.

In 2019 Summerland & District Credit Union became the third organization in the Okanagan to be certified as a Living Wage Employer. A living wage is the hourly rate required for two working parents to meet the basic needs of a family of four which represents the typical BC family. Currently, the minimum wage in BC is \$13.85/hr, but the living wage in 2019 used for the Okanagan was \$18.83/hr. We're proud to support this initiative and believe that the adoption of a living wage not only supports our employees and their families, it also helps to contribute to a strong local economy and to the sustainability and health of communities in which our employees live and work.

We continued to pursue our long-term goal of creating the opportunity for our members to do business with us anytime, anywhere and anyplace. We have been

moving down this path for the past few years and will continue into the future. This past year we have added enhancements to Interac e-Transfers to allow the ability to set up e-Transfer requests, recurring e-Transfers and auto e-Transfer deposits. We have also added a new wire system, initially used for internal wires but eventually members will be able to access this system through online banking and mobile. Lastly, we rolled out an enhanced online business banking product that has the ability to delegate read only access, single login for both business and personal and allows for two signature authentication, which many businesses require as part of their operating structure. The addition of this new online business platform will allow us to add more features in the future such as payroll and invoicing capabilities, once demand for that level of functionality occurs.

As we move into the next decade we will continue to invest in technology, services and people to ensure we evolve with the changing needs of our members. Part of the 2020 roadmap will include updating our online and digital offerings and include rebranding the virtual experience as a division of Summerland & District Credit Union.

With the addition of self-serve technology over the past few years we have experienced a significant decline of in-branch transactions, a drop of close to 50% since 2016. In the upcoming year we will be making recommendations on hours and days of service to ensure we remain cost competitive, efficient and have our resources deployed in the right areas. As we continue to experience growth and success, we are optimistic about the need to add more employees to our organization in spite of the trends in the financial services industry.

Financial Results

Summerland & District Credit Union once again experienced exceptional growth and solid financial performance this past year.

On the Consolidated Statement of Financial Position, assets grew by \$41,561,372 or 15% over 2018 results

to \$318,463,518. Cash and Cash Equivalents increased by \$15,841,250 or 194% to \$24,012,978. Investments increased by \$3,077,299 or 11.7% to \$29,457,950. Loans increased by \$22,928,917 or 9.8% to \$257,361,537. Investment in Associate decreased by \$264,728 or 7%. The remaining balances in each of the other asset categories are fairly consistent year over year.

Member deposits grew by \$39,857,815 or 15.7% to \$293,770,453. Members' equity increased by \$1,728,105 or 8.3% to \$22,541,874 after paying patronage rebates and dividends of \$224,517.

This past year we surpassed our expectations for growth as we budgeted for more moderate growth on the heels of the substantial growth we experienced in 2018. With the balance sheet growth over the past few years we have now become the second largest single branch credit union in Canada.

On the Consolidated Statement of Earnings and Comprehensive Income, earnings before other expense and income taxes was \$2,118,661 up \$129,564 or 6.5% from the previous year. The increase in the year over year earnings was a result of operating margin increasing by \$70,029 over the previous year combined with a decline in operating expenses of \$59,535.

For 2020 we are once again budgeting for a more moderate pace of growth when compared to this past year. We are projecting assets to grow by 2.25% and income to rise slightly by \$64,000.

Accountability and Disclosure

We value engagement and transparency and have created additional detailed information and reporting to our membership over the past few years. The content included in the package has grown and as a result we have separated those documents from this condensed report. The Governance Disclosure Document, Detailed Financial Statements, Credit Union Rules and our Profit Report are available electronically on the credit union's

website at www.sdcu.com and in hard copy at the branch or at Summerland Credit Union's Annual General Meeting. That information is updated on our website every year in May.

Conclusion

The pace of change in the financial services industry is relentless and it takes a special group of people to embrace this change!

Thank-you to our board of directors for your commitment and outstanding leadership. Thank you to our credit union team for your dedication and your continued efforts to achieve our purpose of enriching lives.

On behalf of our staff, management and board of directors, thank-you to our members for your trust, commitment and loyalty to Summerland & District Credit Union. We exist because of you!


Sandy Berry, Board Chair


Kelly Marshall, CEO

Current Board of Directors

Sandy Berry
Chair

Lorrie Forde
Vice-chair

Basil Cogill
Connie Denesiuk
Daniel Dinsmore

Al Eden
Terri Eriksen
Richard Finlay

Bev Skinner



In 2019 we donated nearly \$125,000 in cash and promotional gifts

Action Festival
Adopt A Road
Adult Bursary Program
Agur Lake Camp Society
Apple Valley Cruisers
BC Children's Hospital
BC Seniors Games
Bike to Work Week
Blue Grass Festival

Canadian Mental Health Association
Community Foundation
District of Summerland -
Giant's Head Run
Eden Invitation Golf Tournament
Festival of Lights
Friends of the Gardens
Giant's Head Grind
Giant's Head School
Kidsport - Summerland Chapter
Lakeshore Racquets Club
Muscular Dystrophy Canada
NeighbourLink
Ogopogo Bathtub Races
Okanagan College Foundation
Bursary

Recope
Regional Science Fair
Rotary Club of Summerland
Royal Canadian Legion
Ryga Festival Society
SADI
South Okanagan Brain Injury Society
SSS Basketball

Summerland Arts Council
Summerland Badminton Club
Summerland Bluegrass Festival
Summerland Chamber of Commerce
Summerland Curling Club
Summerland Fall Fair
Summerland Food Bank
Summerland Golf Courses
Summerland Horseshoe Club
Summerland Lions Club
Summerland Middle School
Breakfast Program
Summerland Minor Baseball
Summerland Minor Fastball
Summerland Minor Hockey

Summerland Museum
Summerland Potters Guild
Summerland Skatepark
Summerland Secondary School
Summerland Slo-Pitch
Summerland Sportmen's Association
Summerland Steam
Summerland Yacht Club
Terry Fox Run
Test of Humanity
Trout Creek Elementary
TSS Zone 5 Women's Hockey Team
Volleytech 14U Boys Volleyball
YES Kids Camp

