



# 2020 Annual Report

HOME IS WHERE WE ARE.



**Sudbury Credit Union**  
Community Banking Services





## Home Is Where We Are

This has been a year like no other. Home has literally been the place we've spent the most time. We've had to stop, change our day to day lives, and find a new normal. While we've all been at home, SCU has been here too, in Sudbury - our home. Helping our members, supporting our community, and finding new ways to do things - just as you have. We feel pretty proud of the way our community has handled the past year. We're proud to call Sudbury home.



## A Message From The CEO

Looking back at the year ended 2020 one word comes to mind: Wow!

As with everyone else, we dealt with the unknown: How would our staff family be impacted? Would our business members have to close their operations? Would our members be able to continue to pay their bills? Could we keep all our staff employed?

We did not reduce our services and all of our employees were able to continue to work. Employees and members appreciated the quick action taken to accommodate and work safely within our new surroundings. By early April, we helped hundreds of members by deferring payments on their loans and mortgages. We were able to accommodate paperwork to be signed remotely, thereby helping our members to stay home. We distributed thousands of Membercards® so members could access ATMs and conduct point of sale transactions. We completed thousands of transactions and appointments over the phone for our members, again to allow them to stay at home. Many members were surprised and thankful that we had, (and continue to have), employees ready to answer their calls.

We made available the Canada Emergency Business Accounts (CEBA) for our business members, allowing access to \$60,000 for eligible businesses facing financial hardship as a result of the COVID-19 pandemic. We processed countless government payments, and assisted members with setting up their CRA direct deposit so that they could receive their CRA payments directly into their account.

In our branches, plexiglass partitions were installed in March, along with hand sanitizers at every entrance and at our ATMs. Our employees, equipped with proper protective supplies, continue to serve our members with pride, excellence and safety; and regularly sanitize high touch surfaces throughout the day.

During the year we enhanced our online offerings as we introduced ClickSWITCH, making it easier for members to quickly and securely switch automated payments and direct deposits to their Sudbury Credit Union account. We added a new online loan application and new online member application, allowing more available services at one's fingertips.

Our Sudbury Credit Union staff family continued with their dedication to learning by undertaking more than 2,000 hours of professional development. In the spring, employees participated in an engagement survey and the results were very positive with a score of 82% engaged. As well, we were happy to welcome an additional 11 people to our staff family, and 12 existing employees were promoted to new roles.

In our community, many fundraising events were cancelled. But that did not prevent us from donating to organizations that still had funding needs. Sudbury Credit Union is proud to be the sponsor of the Hike for Hospice. 2020 was to be our first year. Although the hike did not occur, we donated \$25,000 to the Maison McCulloch Hospice. When Health Sciences North put out a call in April, we answered the call with a \$25,000 donation, leading the way for other organizations to also donate. We



continued to support and give to many Sudbury charities, organizations, clubs, schools, and centres. In total 5% of our pretax profit was donated back in direct financial support. This is thanks to the support of our members. In addition to providing financial support and financial services, and in our determination to be committed to the well-being of our community, we purposefully support many local businesses. To help boost morale and assist our staff family, numerous lunches were provided, all of which were purchased from local Sudbury owned restaurants. The plexiglass installed at the start of the pandemic was purchased from a local business owner, hand sanitizer and gloves were bought from a local business owner, and the list goes on. These actions are important to us, not only because we live in Sudbury and use these various businesses, but because we too are a local business. We are indeed stronger together.

This was all completed while still maintaining our strong foundational financial strength as an organization. Our assets grew by 10% in 2020, and we contributed just over \$2 million to our capital. Just as it is prudent for people to have funds put away for emergency situations, it is also prudent and a regulated requirement for Credit Unions to have capital reserves. We remain above the regulated limit, and among the top tier of our peers. Operationally, after years of declining activity, we came to the difficult decision to close our Downtown branch on Lisgar Street. This will take place at the end of April 2021. Our employees currently working at that location will move to other branches.

Through the year we continued to enhance and expand our investment offerings for our membership. Members can work with one of

our knowledgeable financial advisors for all their investing needs, from guaranteed investments to mutual funds, offered through Credential Asset Management Inc. For members who prefer a self-serve option we offer Qtrade Investor, our online brokerage; as well as digital investing with VirtualWealth®.

As we enter 2021 we are optimistic. We are well positioned to continue to help our members look after their financial health. Some members have not been able to return to work, and we are helping them navigate their financial situations. Some members remain at home and we continue to contact them and conduct their transactions over the phone.

I extend my sincere and heartfelt appreciation to all Sudbury Credit Union employees for their unending work and dedication to looking after each other, and our members. I also thank our Board of Directors whose support through this difficult year was unwavering.

On behalf of our employees and directors, I thank our members. Thank you for being owners of Sudbury Credit Union, and for continuing to trust us with your financial needs.

Mimi Regimbal  
Chief Executive Officer

Mutual funds are offered through Credential Asset Management Inc.

Online brokerage services are offered through Qtrade Investor, a division of Credential Qtrade Securities Inc., Member of the Canadian Investor Protection Fund.

VirtualWealth is a trade name of Credential Qtrade Securities Inc., Member of the Canadian Investor Protection Fund.

# Board of Directors



**Leo Racette**  
BOARD CHAIR



**David Vares**  
VICE-CHAIR



**Floyd Laughren**  
PAST CHAIR



**Bette Choquette**  
CORPORATE SECRETARY



**Jamie Conroy**  
DIRECTOR



**Grant Howard**  
DIRECTOR



**Michael Bellmore**  
DIRECTOR



**Kate Barber**  
DIRECTOR



**Lindsay Liske**  
DIRECTOR



**Brandon Martel**  
INTERN DIRECTOR



## A Message From The Chair

2020, a year filled with uncertainty, challenges, hope, and accomplishments. Despite the numerous challenges and uncertainty we faced this past year, your credit union grew to nearly \$500,000,000 in assets. This would not have been possible without you, our members, and certainly not without the outstanding work of everyone within your credit union.

From management's quick response in reaction to the very fluid state of affairs in 2020, to the diligence and difficult work of senior management, and all staff coming together to assure our continued success. What's also noteworthy, is not only Sudbury Credit Union's success, but also its support of member agencies and community groups. We strive to donate at least 5% of our profit to local community groups, and to the wider credit union co-operative system each year. Although many groups and charities were unable to host fundraising events this year due to the underlying circumstances of the pandemic, we knew that these community services needed our assistance now more than ever. In 2020, we contributed \$131,615 to organizations such as HSN, Easter Seals, Sudbury Regional Science Fair, Legions, Golden Age Club, Meals on Wheels, Sudbury Food Bank, and the list goes on. I am also proud that this year, Sudbury Credit Union joined forces with Maison McCulluch Hospice as the corporate sponsor for the Hike for Hospice.

Our vision statement says that we are committed to the wellbeing of our employees, our members, and our community. This year, our employees faced

numerous challenges, and like the champions they are, they continued with tenacity and conviction to assure the continued growth of our credit union. Management also assured that all proper protocols were in place during all government mandated shutdowns or restrictions. They assured the safety of our staff and members by putting in place policies as well as personal protective equipment and shielding throughout the entirety of this pandemic.

The board continues to focus on good governance. We do this by continuing to increase our knowledge. This year, as in previous years, saw all of your directors meeting all standards for continuing education. We do this by attending education courses, attending credit union system events such as the Central 1 AGM and the CUA conference. We also held our yearly Strategic and Business planning sessions. The board along with senior management oversees risk management. We assure that we stay abreast of current local events that could potentially affect our members. We continue to work with management to ensure we are operating within all regulatory requirements and that we are profitable year after year.

On behalf of the board, I say a well-deserved thank you to Mimi Regimbal, our CEO, as well as the senior management team and our entire staff, for their continued dedication and hard work. You are all, what makes Sudbury Credit Union strong and vibrant.

Leo Racette  
Board Chair



# Financial Reporting

## In This Section:

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## Report of the Audit Committee

Sudbury Credit Union Limited's Audit Committee was formed pursuant to the Credit Unions and Caisses Populaires Act, 1994 (Ontario) ("Act"). The committee, composed of Board of Director members, has oversight responsibility for the Credit Union's financial reporting, risk management, ethics and compliance requirements. Written terms of reference prescribe the committee's objectives and responsibilities and how it functions. The committee met throughout the year to receive reports from management, internal audit, and KPMG LLP, our external auditors.

The committee met four times in 2020, and reviewed and approved:

1. Audited Financial Statements and notes,
2. The Annual Internal Audit Plan,
3. Internal Audit Reports,
4. The Credit Union's risk management policies, and
5. Updates related to the scope and impact of International Financial Reporting Standards (IFRS).

These reviews were performed to ensure proper safeguarding of the Credit Union's assets and adherence to policies. Based on its reviews and findings, the Audit Committee made recommendations to the Board of Directors and Management, and followed up to ensure that the recommendations were considered and implemented, as appropriate.

The Audit Committee is pleased to report to the members that the committee is functioning in

accordance with the Act. Through the full co-operation and support of management, it continues to play an effective role in assuring the quality of financial reporting, risk management, ethics and compliance requirements, thus, enhancing overall operational control of the Credit Union.

There are no significant recommendations made by the Audit Committee that have not been either implemented or are in the process of being implemented. There are no issues the committee believes should be reported and no matters that would require disclosure pursuant to the Act or the Regulations.

Respectfully submitted on behalf of the Audit Committee,

Jamie Conroy (Chair)  
Floyd Laughren  
Lindsay Liske  
David Vares



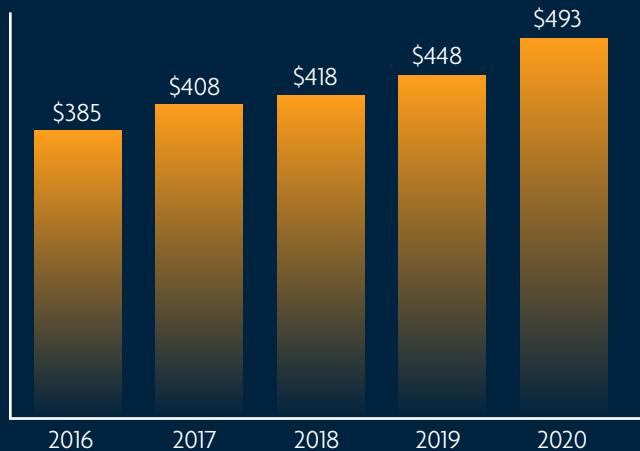
# Key Financial Results



Fiscal 2020 was a solid financial year for Sudbury Credit Union. The historical building of financial strength provided a solid base giving SCU the ability to focus on supporting members through the COVID-19 environment.

During 2020, assets increased 10% or \$45 million, ending the year at \$493 million. With the shutdowns in our region affecting the financial spending patterns of our members, savings increased throughout the year resulting in the largest growth we have seen in the past 10 years.

Assets (in millions)



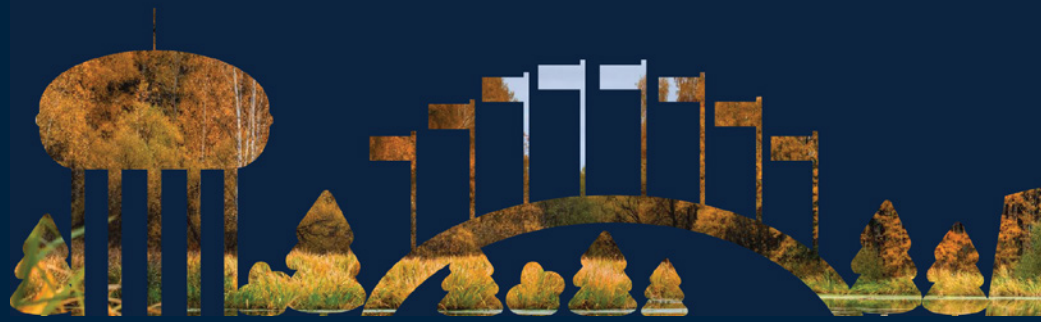
**Assets**  
Increased by 10%

## Member Loans

With the initial slowdown in the real estate market in 2020 and high rate competition in the latter half of the year, Sudbury Credit Union's loans to members declined 1.2% or \$4.6 million. The largest declines were seen in personal loans and commercial lending with residential mortgages staying steady at 2019 levels. For commercial lending, the decreases were seen in loans to businesses outside of the Sudbury area. We are proud to have increased local commercial lending by \$3.3 million, demonstrating our commitment to supporting our business community through tough times.

## Investments

With a large increase in assets coupled with a decline in member loans, SCU saw an increase in cash and investments of \$49.9 million. With the low interest rate environment surrounding all financial products in 2020, the interest earned on this portfolio was low and did put downward pressure on our financial margin.



## Member Deposits

Sudbury Credit Union's deposit base grew by 10.6% or \$43 million. Spending patterns of members were altered as a result of regional restrictions and uncertainties impacting purchasing decisions. The largest increases were seen in both retail and commercial chequing and savings accounts. As a result of these movements, Liquidity risk is low with 21.6% of member deposits being held in liquid investments.

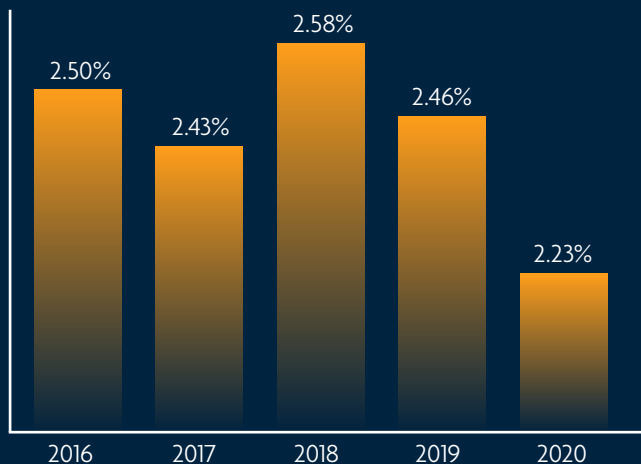
## Member's Equity and Regulatory Capital

Members equity and liabilities qualifying as regulatory capital increased \$2.2 million to \$43.9 million. Retained earnings and contributed surplus represent 86% of capital. Regulatory Capital measuring the stability of an organization remains strong with Capital Leverage of 9.12% (above the required 4.0%) and Risk Weighted Capital of 25.5% (above the required 8.0%).

## Net Interest Income

2020 put downward pressure on net interest income as a result of low rates, high competition, quick deposit growth, and member loan declines. Assets were moved into cash and investments, which given the low rate environment, were only earning 0.79% at the end of 2020. Despite these challenges, net interest income of 2.23% of average assets is solid and is above the Ontario Credit Union system average of 1.69%.

Net Interest Income



**Net Interest Income**  
2.23%

## Other Income

Other income remained steady at \$2 million, declining slightly as a percentage of average assets from 0.46% to 0.42%.



## Operating Expenses

In 2020, operating expenses were \$9.4 million (2019 - \$9.2 million). As organizations grow, operating expenses as a percentage of average assets should decline and for Sudbury Credit Union expenses dropped from 2.12% of average assets to 1.99%. Personnel costs made up the largest portion of operating expenses followed by technology costs including hardware, software, and online operating costs and initiatives.

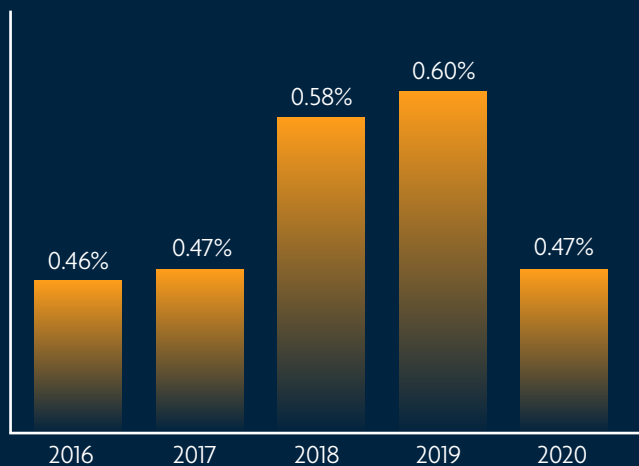
## Loan Provisions

The provision for credit losses increased significantly from \$160 thousand in 2019 to \$930 thousand in 2020. The economic impact of COVID-19 increased the risk of member loan default, both retail and commercial. A large portion of this expense is the result of an increase in the estimate of future losses on existing loans. While we remain hopeful that we will be able to continue to assist our members through this difficult time, it was prudent to increase our allowance for doubtful loans to reflect the uncertainty.

## Net Income

Net operating income for 2020 was \$2.2 million, down from \$3.3 million in 2019. The loan provision expense was the key driver of the decline. In 2020 we recorded a one-time unrealized gain on investments as a result of transitioning our mandatory liquidity pool at fair market value. This one-time gain offset our taxes resulting in a final net income for Sudbury Credit Union of \$2.2 million, a return on average assets of 0.47%.

### Return on Average Assets



**Net Income**  
\$2.2 million



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## **REPORT OF THE INDEPENDENT AUDITORS ON THE SUMMARY FINANCIAL STATEMENTS**

To the Members of Sudbury Credit Union Limited

### ***Opinion***

The summary financial statements of Sudbury Credit Union Limited (the "Credit Union"), which comprise:

- the summary statement of financial position as at December 31, 2020;
- the summary statement of income and comprehensive income for the year then ended;
- the summary statement of changes in members' equity for the year then ended;
- and related notes to the summary financial statements

are derived from the audited financial statements of the Sudbury Credit Union Limited as at and for the year ended December 31, 2020 (audited financial statements).

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements, in accordance with the criteria disclosed in Note 2 in the summary 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 Credit Union's audited financial statements and the auditor's report thereon.

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

### ***The Audited Financial Statements and Our Report Thereon***

On our report dated March 1, 2021:

- We expressed an unqualified opinion on the audited financial statements.



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

Management is responsible for the preparation of the summary financial statements in accordance with the criteria disclosed in Note 2 in the summary financial statements.

***Auditors' Responsibility***

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, the audited financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standards 810, Engagements to Report on Summary Financial Statements.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that serves as a signature line.

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Ontario  
March 1, 2021

# SUDBURY CREDIT UNION LIMITED

## Summary Statement of Financial Position

December 31, 2020, with comparative information for 2019

|  | 2020                  | 2019                  |
|--|-----------------------|-----------------------|
| <b>Assets</b>                                |                       |                       |
| Cash and cash equivalents                    | \$ 22,587,882         | \$ 8,796,491          |
| Loans to members                             | 372,655,117           | 377,299,921           |
| Investments                                  | 91,447,584            | 55,314,866            |
| Other assets                                 | 601,734               | 615,665               |
| Deferred income taxes                        | 289,967               | 249,200               |
| Property, equipment and intangibles          | 5,127,222             | 5,465,162             |
|  | <b>\$ 492,709,506</b> | <b>\$ 447,741,305</b> |
| <b>Liabilities and Members' Equity</b>       |                       |                       |
| Members' deposits                            | \$ 447,037,709        | \$ 404,053,349        |
| Accounts payable and accrued liabilities     | 1,058,237             | 1,100,898             |
| Lease liabilities                            | 740,996               | 941,488               |
| Liabilities qualifying as regulatory capital | 5,975,208             | 5,898,565             |
|  | <b>454,812,150</b>    | <b>411,994,300</b>    |
| Members' equity:                             |                       |                       |
| Contributed surplus                          | 5,484,655             | 5,484,655             |
| Retained earnings                            | 32,407,874            | 30,189,812            |
| Accumulated other comprehensive income       | 4,827                 | 72,538                |
|  | <b>37,897,356</b>     | <b>35,747,005</b>     |
|  | <b>\$ 492,709,506</b> | <b>\$ 447,741,305</b> |

See accompanying notes to the summary financial statements.

# SUDBURY CREDIT UNION LIMITED

## Summary Statement of Income and Comprehensive Income

Year ended December 31, 2020, with comparative information for 2019

|  | 2020                | 2019                |
|--|---------------------|---------------------|
| Revenue:   |                     |                     |
| Interest - non-mortgage loans  | \$ 1,918,242        | \$ 2,217,985        |
| - mortgage loans   | 12,502,897          | 12,215,567          |
| Investment income  | 1,138,933           | 1,232,669           |
|  | <u>15,560,072</u>   | <u>15,666,221</u>   |
| Cost of financing:   |                     |                     |
| Interest - demand deposits   | 361,998             | 376,843             |
| - term deposits  | 2,240,580           | 2,165,072           |
| - registered savings plans, tax free savings,<br>registered retirement income fund | 2,298,313           | 2,271,661           |
| Interest on external borrowings  | 34,184              | 36,129              |
| Dividends on investment shares   | 111,765             | 166,767             |
|  | <u>5,046,840</u>    | <u>5,016,472</u>    |
| Net interest income  | 10,513,232          | 10,649,749          |
| Provision for impaired loans   | 929,847             | 162,424             |
| Net interest income after provision for impaired loans                             | 9,583,385           | 10,487,325          |
| Non-interest revenue   | 1,998,875           | 2,044,374           |
|  | <u>11,582,260</u>   | <u>12,531,699</u>   |
| Operating expenses:  |                     |                     |
| Personnel  | 5,387,036           | 5,222,834           |
| General  | 2,613,759           | 2,375,375           |
| Occupancy  | 711,400             | 957,111             |
| Organization   | 191,028             | 202,301             |
| Insurance  | 474,041             | 461,809             |
|  | <u>9,377,264</u>    | <u>9,219,430</u>    |
| Operating income   | 2,204,996           | 3,312,269           |
| Other revenue:   |                     |                     |
| Unrealized gain on investments   | 446,710             | -                   |
| Income before income taxes   | 2,651,706           | 3,312,269           |
| Income taxes   | 433,644             | 710,500             |
| Net income for the year  | 2,218,062           | 2,601,769           |
| Other comprehensive income (loss):   |                     |                     |
| Items that may be subsequently reclassified to net income:                         |                     |                     |
| Change in fair value of investments  | 135,376             | 108,285             |
| Income tax expense   | (35,871)            | (28,696)            |
| Items that may be subsequently reclassified to net income                          | <u>99,505</u>       | <u>79,589</u>       |
| Items that will not be reclassified subsequently to net income:                    |                     |                     |
| Actuarial gain (loss) related to defined<br>benefit pension plan                   | (227,500)           | 255,100             |
| Income tax (expense) recovery  | 60,284              | (67,602)            |
| Items that will not be reclassified subsequently to net income                     | <u>(167,216)</u>    | <u>187,498</u>      |
| Total other comprehensive income (loss) for the year                               | (67,711)            | 267,087             |
| Total comprehensive income for the year  | <u>\$ 2,150,351</u> | <u>\$ 2,868,856</u> |

See accompanying notes to the summary financial statements.

# SADBURY CREDIT UNION LIMITED

## Summary Statement of Changes in Members' Equity

Year ended December 31, 2020, with comparative information for 2019

|   | 2020          | 2019          |
|---|---------------|---------------|
| Contributed surplus:  |               |               |
| Balance, as at January 1 and December 31  | \$ 5,484,655  | \$ 5,484,655  |
| Retained earnings:  |               |               |
| As at January 1   | 30,189,812    | 27,588,043    |
| Net income  | 2,218,062     | 2,601,769     |
| Balance, end of year  | 32,407,874    | 30,189,812    |
| Accumulated other comprehensive income (loss):  |               |               |
| Representing the fair value reserve:  |               |               |
| As at January 1   | 72,538        | (194,549)     |
| Net change in fair value of investments,<br>net of tax of \$35,871 (2019 - \$28,696)                                  | 99,505        | 79,589        |
| Actuarial gain (loss) related to defined benefit pension plan,<br>net of tax (recovery) of \$60,284 (2019 - \$67,602) | (167,216)     | 187,498       |
| As at December 31   | 4,827         | 72,538        |
| Members' equity, end of year  | \$ 37,897,356 | \$ 35,747,005 |

See accompanying notes to the summary financial statements.



# SUDBURY CREDIT UNION LIMITED

Notes to Summary Financial Statements

Year ended December 31, 2020

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## 1. Reporting entity:

Sudbury Credit Union Limited (the "Credit Union"), was incorporated on October 9, 1951 and operates in compliance with the Credit Union and Caisses Populaires Act of Ontario (the "Act"). The Credit Union is a member of the Central 1 Credit Union ("Central 1"). The Credit Union provides financial services and products to its members through seven branches in the Greater Sudbury area. The Credit Union's head office is located at 1 Gribble Street, Sudbury, Ontario.

## 2. Summary financial Statements:

The summary financial statements are derived from the complete audited financial statements, prepared in accordance with International Financial Reporting Standards, as at and for the year ended December 31, 2020.

The preparation of these summary financial statements required management to determine the information that needs to be reflected in the summary financial statements so that they are consistent, in all material respects, with or represent a fair summary of the financial statements.

These summarized financial statements have been prepared by management using the following criteria:

- (a) whether information in the summary financial statements is in agreement with the related information in the complete audited financial statements; and
- (b) whether, in all material respects, the summary financial statements contain the information necessary to avoid distorting or obscuring matters disclosed in the related complete audited financial statements, including the notes thereto.

Management determined that the statement of cash flows does not provide additional useful information and as such has not included them as part of the summary financial statements.

The complete audited financial statements of Sudbury Credit Union Limited as at and for the year ended December 31, 2020 are available upon request by contacting the Credit Union.



# Supporting Our Community

## \$131,615

In sponsorships and donations to local organizations and charities.

Every year SCU strives to give back 5% of our pre-tax profits as sponsorships and donations to the Sudbury community, and that didn't change for 2020. This year, many organizations were unable to raise funds through their usual methods as annual fundraisers and local events were not possible, but their services were needed just as much, if not more. We're proud to have been able to continue to support so many groups in the important work that they do.

### International Credit Union Day

To celebrate International Credit Union Day, we donated a total of \$15,000 to 8 local organizations. The groups were given the donations to support the amazing work they do within our community. The 8 organizations were: Habitat for Humanity, Meals on Wheels, reThink Green, Salvation Army, Sudbury Food Bank, Sudbury Hospice Foundation, Sudbury Crime Stoppers, and YES Theatre.

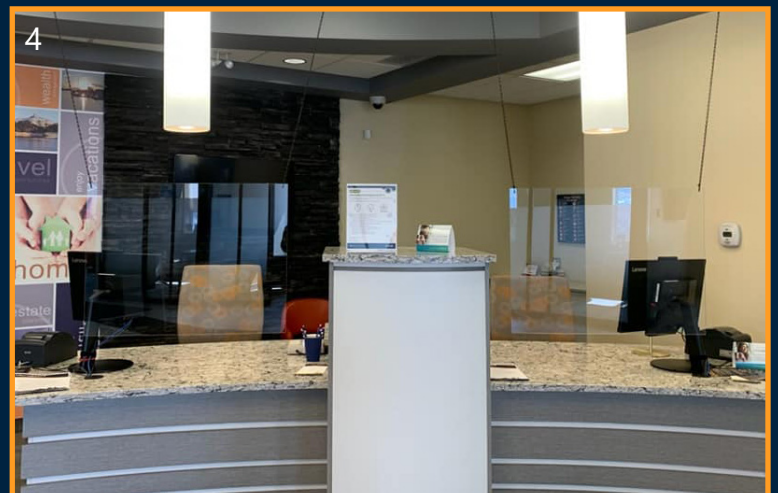
#icuday





## Putting our Staff, Members and Community First

1. A \$25,000 donation to the HSN COVID-19 Support Fund to help purchase additional supplies to keep frontline workers safe.
2. Stay home. Stop the spread: Members are encouraged to call a branch, rather than visiting, and staff are available to assist with day to day banking over the phone.
3. Masks and hand sanitizer are available for all staff and members. Thank you to staff and members for keeping each other safe.
4. Plexiglass barriers were installed at each branch's front counters.
5. To support local small businesses, and to thank staff for their hard work during the toughest parts of the year, SCU purchased treats and lunches for all staff from local restaurants and bakeries.





[www.sudburycu.com](http://www.sudburycu.com)



@sudburycu

**Sudbury Credit Union**  
Community Banking Services

