

2019

ANNUAL REPORT

GVC credit union
GREATER VANCOUVER COMMUNITY
For Real People

Chequing, Savings, Mortgages, Loans and Friendly Advice.
www.gvccu.com

Annual Report of the Board of Directors

On behalf of our members, your directors are responsible for oversight of management, as GVC Credit Union strives to adhere to its values and achieve its purposes in a changing economic environment.

In 2019, members adopted a special resolution to amend GVC Rules. Those amendments, among other things, will permit GVC to conduct more business with members, electronically, including enabling members to vote electronically; to permit GVC to provide notices, electronically; and to empower the Board to fill casual vacancies among the directors.

In accord with best governance practices, the Board collectively undertook training provided by the Credit Union Institute of Canada on Governing IT: the Director's Role. The Board reviewed and updated the terms of reference of its Audit, Conduct Review, Credit, and Investment, Loan & Risk Management Committees. It also reaffirmed GVC's Contingency Funding Plan, its Disaster Recovery Plan, its Enterprise Risk Management Policy and GVC's Risk Appetite Statement. With respect to risk, GVC continues to focus on the granting of mortgage loans to members to facilitate residential construction and home ownership, while growing our capital base to support that lending.

Included with materials for this meeting is a Governance Report. Among other matters, it documents GVC's directors, the board's officers, the composition of board committees and their chairpersons, attendance of directors at board and committee meetings, and the remuneration of directors in 2019.

Your Board and management continued to liaise with like-sized credit unions in developing submissions to government concerning the legislation under which credit unions operate in B.C. GVC continued to be well represented at system meetings, including the annual general meetings of Central 1 Credit Union and the Canadian Credit Union Association. Both board and management participated in the Association's Advocacy Day, lobbying cabinet ministers and MLAs, in Victoria, in support of policy positions of B.C.'s credit unions. Last spring, our General Manager was elected as a Trustee of the Credit Union Foundation of British Columbia.

Every year, GVC makes donations to entities that contribute to the credit union's long term health and prospects. Donations are primarily directed towards those that are family oriented; those that foster personal, academic, spiritual or lifestyle improvement; and those that support co-operative and catholic values, particularly

where GVC's contribution can have a relatively significant impact. Attention is paid to strengthening the credit union's image in the communities in which we operate and the credit union and co-operative movement, internationally. Foremost amongst these were the World Council of Credit Unions, the Credit Union Foundation, B.C. Young Leaders and The Youth Excellence Society. Once again in 2019, our staff delivered GVC's own Christmas Hamper program that, over the years, has supplied 1074 hampers to families in need and countless gifts to children and teens.

Looking forward, we expect that interest rates in Canada will remain low, particularly given worldwide concerns with the coronavirus outbreak. With stable rates, we anticipate that residential lending in Metro Vancouver will normalize, permitting GVC to more profitably employ our members' deposits.

I am pleased to extend the board's appreciation to our management and staff, for their continued dedication to serving you, while ensuring GVC's financial well-being.

In closing, let me thank you, GVC's members, for your continued support of your credit union.

Respectfully submitted on behalf of the Board of Directors,
Richard J. Thomas, Chairperson

Annual Report of the General Manager

GVC Credit Union's assets at the end of 2019 were \$240.5 million. This was a significant change from the previous year-end. Our assets at the end of 2018 were inflated as a number of members had sold their home and parked their funds, temporarily, with us. We also had a number of estate accounts which were waiting for the courts to grant probate. These funds were disbursed during the last quarter of 2019.

The real estate market in Metro Vancouver took a dramatic turn, beginning around February 2018 after approximately 3 years of unprecedented increases in home prices. Government interventions introduced in the form of B-20 (stress testing for mortgage qualification) and further changes to the Foreign Buyers Tax (i.e.-tax rate increase and geographical expansion) in the beginning of 2018 effectively put an end to price escalations.

During the first half of 2019, real estate sales plummeted to well below their long term trends. The significant decline in sales in turn pushed prices slightly downwards. At its lowest point, the MLS® Home Price Index composite benchmark price for all residential properties in Metro Vancouver experienced an approximate decline of 10% year-over-year. With that said, the adjustment in home prices we saw over the course of the previous 18 months was very gradual. The Metro Vancouver market appeared to be turning the corner as we saw sales activity pick up in the last quarter of 2019 back to more historically typical levels.

A number of initiatives took place throughout 2019. In the fall, we conducted a member satisfaction survey. The overall feedback was very positive. We did receive a number of suggestions which are currently being explored and will be taken into consideration as GVC continues to plan for the future. We value and appreciate your feedback and thank all members who took the time to complete the survey.

As noted in the Board's report, last November, a Special Resolution to amend the Rules of GVC was approved to permit GVC to conduct online elections and use electronic communications for regulatory notifications. It is our hope to engage and increase member participation in future elections from the comfort of your home. We will also be working towards transitioning our communications from paper to electronic means for those members choosing a paperless option.

We have made enhancements to the Interac e-Transfer® service by adding the Autodeposit and the Request Funds features. We also embarked on implementing Interac

Flash® to enhance our MEMBER CARD® with a contactless option, one not requiring a PIN on small transactions. We are pleased to announce that the MEMBER CARD® with Interac Flash® is now available. Please contact your branch if you are interested in replacing your existing debit card.

GVC's IT infrastructure is continuously being monitored and updated. While we have made a number of advances in technology, we are continuing to focus on this to ensure that GVC has up to date and effective systems in place. This will include developing a safe and secure system to be able to provide remote services.

GVC ended the year with net earnings of \$642,444. The decrease from 2018 is mainly related to the additional income taxes that the credit union was required to pay. In 2019, GVC was required to pay the full tax rate and no longer qualified for the small credit union deduction enjoyed in previous years. Also, GVC's income in 2018 was boosted by the redemption of a portion of its investment in the Class E Shares of Central 1 Credit Union.

The credit union's capital base at the end of the year was \$19.05 million or 17.69% of its risk-weighted assets, significantly above the minimum regulatory requirement of 8%. GVC's retained earnings as a percentage of assets were 6.25% or \$15.03 million.

At the time of writing, the spread of COVID-19 is causing serious consequences to the local and global economic environment. It has changed how we live our everyday lives. These are very uncertain times for all of us. During this difficult time, the health and wellbeing of our members and our employees is of utmost importance to us. I would like to take this opportunity to thank each and every one for their patience and understanding during this time. Please note, we are here to support our members impacted by the COVID-19 pandemic. If you or someone you know needs support, please reach out to us for assistance.

On behalf of myself and our staff, I wish to thank you, our members, for your support and your elected representatives, our Board of Directors, for their dedicated service.

Respectfully submitted,
Balbir Bains, General Manager

Governance Report

Credit unions are owned by those they serve. The Board of Directors is elected by the members and charged with providing governance to the credit union on behalf of the membership. The Chairperson of the Board reports out to the membership at the Annual General Meeting. The General Manager's report and the audited financial statements are also provided to give members additional details on the results of their credit union.

This report is designed to provide an update on governance. Accompanying this report is an organization chart showing the board members, elected officers, the board committees and committee chairpersons. Members are situated at the top of the chart because they are our owners. On the left hand side of the chart is our External Auditor, MNP LLP Chartered Accountants who audit our financial results to ensure they are correct and meet current accounting standards.

Currently all of our directors are elected for three year terms of office and may be re-elected to a maximum of four consecutive terms. Your nine person board receives aggregate remuneration of \$35,000 per annum with individual board members receiving from \$2,092.39 to \$7,133.15 in 2019, based on their role and attendance. The following chart shows their individual attendance over the last year:

May 2019 to April 2020	Meeting Sum	Richard Thomas	Shaun Olafson	Herb Gill	Argundas Bartas	Judi Corra	Glenn McLaughlin	Elaine Schretlen	Ken Sherwood	Stacy Wilson
Board	13	13	12	13	10	10	12	13	13	10
Executive	3	3	3	3				3		
Governance	2	2	2	2				2		
Audit	6			6		6	6		5	
Investment, Loan & Risk Management	4			4		4	4		3	
Conduct Review	1	1			1					1
Nominating	1		1		1			1		
Credit	8	8	8	7						

Your board Nominating Committee directs the election process. This starts with a review and analysis of the skill sets and competencies of the incumbent directors. This allows the Committee to identify any gaps and thus seek candidates accordingly. A snapshot profile of each current board member accompanies this report.

The Nominating Committee endorses no more than one additional candidate than there are openings on the board. Others may still stand for election but would not be endorsed by the Committee. Elections take place over a one week period in early March by way of in-branch voting. Members also have the option to request a mail ballot in advance of the voting period. Ballots are counted by our external auditor.

The combined salaries of our three senior managers in 2019 were \$377,891 (\$347,353 in 2018). These amounts are included in note 17 in our audited financial statements. GVC does not have a variable rate or bonus compensation policy. Other than salary, the only other compensation is a modest Christmas bonus of up to \$500 for all employees with the exception of the General Manager.

GVCCU MEMBERS

BOARD OF DIRECTORS (2019-2020)

Richard Thomas, Chairperson
 Shaun Olafson, 1st Vice Chairperson
 Herb Gill, 2nd Vice Chairperson

Argundas Bartas
 Judi Corra
 Glenn McLaughlin

Elaine Schretlen
 Ken Sherwood
 Stacy Wilson

COMMITTEES

GOVERNANCE COMMITTEE

Richard Thomas, Chairperson
 Herb Gill
 Shaun Olafson
 Elaine Schretlen

AUDIT COMMITTEE

Ken Sherwood, Chairperson
 Judi Corra
 Herb Gill
 Glenn McLaughlin

NOMINATING COMMITTEE

Argundas Bartas, Chairperson
 Shaun Olafson
 Elaine Schretlen

CREDIT COMMITTEE

Richard Thomas, Chairperson
 Herb Gill
 Shaun Olafson
 Balbir Bains

**INVESTMENT, LENDING & RISK
 MANAGEMENT COMMITTEE**

Judi Corra, Chairperson
 Herb Gill
 Glenn McLaughlin
 Ken Sherwood

CONDUCT REVIEW COMMITTEE

Richard Thomas, Chairperson
 Argundas Bartas
 Stacy Wilson

**EXTERNAL
 AUDITOR**

MNP LLP
 Chartered
 Accountants

Summarized Statement of Financial Position December 31, 2019

	2019	2018
Assets		
Cash and cash equivalents	24,176,166	35,772,395
Investments and other	1,366,675	1,445,002
Member loans receivable	212,637,625	212,187,812
Property, plant and equipment	2,039,465	372,036
Intangible assets	19,807	138,650
Deferred income tax assets	253,000	194,000
	240,492,738	250,109,895
Liabilities and Members' equity		
Member deposits	222,611,016	234,835,233
Income taxes payable	131,079	11,152
Payables and accruals	528,511	483,893
Lease liability	1,807,943	-
Equity shares	388,258	396,130
Retained earnings	15,025,931	14,383,487
	240,492,738	250,109,895

Summarized Statement of Comprehensive Income December 31, 2019

	2019	2018
Financial income	9,785,827	9,248,795
Financial expense	4,331,686	3,634,485
Financial margin	5,454,141	5,614,310
Other income	467,099	517,781
	5,921,240	6,132,091
Operating expenses	4,874,846	4,912,964
Operating income	1,046,394	1,219,127
Provision for credit losses	60,000	60,000
Patronage rebate	9,833	10,072
Income before income taxes	976,561	1,149,055
Income taxes	334,117	196,818
Comprehensive income	642,444	952,237

Summarized Statement of Changes in Members' Equity December 31, 2019

	Equity shares	Retained earnings	Total
Balance, December 31, 2017	403,953	13,431,250	13,835,203
Comprehensive income	-	952,237	952,237
Net redemption of equity shares	(7,823)	-	(7,823)
Balance, December 31, 2018	396,130	14,383,487	14,779,617
Comprehensive income	-	642,444	642,444
Net redemption of equity shares	(7,872)	-	(7,872)
Balance, December 31, 2019	388,258	15,025,931	15,414,189

Summarized Statement of Cash Flows December 31, 2019

	2019	2018
Cash provided by (used for) the following activities		
Operating activities	1,653,880	1,491,427
Financing activities	(12,857,164)	2,074,319
Investing activities	(392,945)	3,965,817
Increase (decrease) in cash and cash equivalents	(11,596,229)	7,531,563
Cash and cash equivalents, beginning of year	35,772,395	28,240,832
Cash and cash equivalents, end of year	24,176,166	35,772,395

Approved on behalf of the Board of Directors
Richard Thomas, Chairperson and Ken Sherwood, Director

A copy of the full financial statements can be obtained at any GVC Credit Union branch or viewed online [here](#).

Report of the Independent Auditor on the Summarized Financial Statements

To the Members of Greater Vancouver
Community 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 Greater Vancouver Community 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 March 18, 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
Chartered Professional Accountants
March 18, 2020, Abbotsford, BC

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