CCUA | ACCF

Canadian Credit Union Association

Association canadienne des coopératives financières

Canadian Credit Union Association

2018 ANNUAL REPORT

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MESSAGE FROM BOARD CHAIR

BILL MAURIN

I am pleased to report on my first year as board chair of the Canadian Credit Union Association. 2018 was a year of progress for our national trade association, with several significant milestones and successes that helped to advance the interests of credit unions across the country.

The role of a successful trade association is to raise the profile of its sector, support and advance its interests with all levels of government, and reinforce a positive reputation. Part of that success lies in a clearly-communicated mandate, and a proactive approach with both external stakeholders and with members. In 2018, CCUA developed and released a new Strategic Plan that puts these imperatives at the forefront of its business.

The Strategic Plan is built around the vision of CCUA as champion of credit unions as they help Canadian achieve financial well-being. It outlines our mission: The success of credit unions is at the core of what we do. We are a strong advocate. We raise awareness, provide quality research and education. We are a collaborative leader on emerging industry issues.

And, the Strategic Plan lays out a key commitment that will be important to CCUA as the Association transitions to a new fee model over the next 18 months – the commitment to value-driven services, provided by exceptional people; agile, effective and cost-conscious.The annual member survey for 2018 found that credit union engagement continues to improve and reflects growing satisfaction with CCUA's service delivery. It also reinforced members' expectation that our Association will continue to align closely to the focus areas of the Strategic Plan – Advocacy, Awareness and Insights.

Credit Unions represent an extremely diverse membership for CCUA. No matter which metric you employ – assets, members, niche or location – we cover the spectrum and so do our interests and the challenges we face. As part of the response to a desire from members to better understand – and influence – the future shape of our system, CCUA has taken a more strategic approach to both research and engagement, working with external thought-leaders, policy-makers, legislators and regulators, and a range of system representatives. CCUA is convening important venues for the system to discuss impacts of legislative change, growing trends like open banking, and effective ways that credit unions can improve their competitiveness.

The inception of CCUA came with a number of commitments to support its growth as a truly national trade association. For 2018, they included a bylaw review and an update to board composition, both of which were a focus of the Board's work. There has also been ongoing work to integrate key areas of operations with Centrals – with success in 2018 when Central 1 made the decision to integrate government relations, marketing and research. In 2018, the Board intensified its focus on ensuring CCUA will have a smooth transition to a new fee model that was also a commitment at CCUA's inception. January 2021 will see credit unions directly billed by the Association rather than receiving flow-through funding from the Centrals. Strategic discussions among board members and with senior management have supported the Association in its review of business lines, current costs and funding, and engagement with all members. Our goal is a successful transition to the new fee model that sees every one of our current members continue their commitment to our national Association.

There has never been a more important time for credit unions to have an effective national Association, and to speak with a single, unified voice. The economy continues to surprise us while the pace of technological change rapidly accelerates. CCUA has kept pace with this change, keeping our members on top of their game with best in class professional development. Cusource offerings in 2018, including 63 new or refreshed courses, reached 19,500 credit union employees and saw 49,000 course completions.

CCUA has also kept pace with legislative and regulatory changes, supporting credit unions with compliance in a rapidly-changing regulatory environment. We have seen some tremendous successes in advocacy over the last two years, but we must keep up our focused engagement with governments across the country to ensure their decisions reflect understanding of and support for credit unions – wholly Canadian-owned institutions that are deeply integrated into the economic and social fabric of the communities where we operate. I would like to thank my fellow board members for their insights and advice, and for their commitment to CCUA. It is a pleasure to serve with our engaged team. Most importantly, I want to thank and congratulate the CCUA team for their hard work in 2018. Every day, they demonstrate their commitment to the success of credit unions, work that is fundamentally important to the future of our sector.

Bill Maurin
Board Chair

MESSAGE FROM PRESIDENT & CEO

MARTHA DURDIN

At the Canadian Credit Union Association, we are proud to be the national trade association for Canada's credit unions and caisses populaires outside Quebec. We are a service organization for credit unions and in 2018 we focused on that service imperative with a new three-year Strategic Plan, a document that I hope all our members have had an opportunity to review. For all of us at CCUA, the Strategic Plan is at the heart of our one overriding goal, in all we do, every day: drive the success of credit unions.

Our new Strategic Plan outlines our core strategies: to advocate for credit unions; to raise awareness about our sector with government, media and the public; to deliver expert insights that inform credit union strategies and to focus on efficient and cost-effective delivery across all our lines of business.

The member engagement survey we undertake each fall represents an important opportunity for feedback and reflection. This year, we were pleased to see overall improvements in several of the survey's metrics. Awareness of CCUA went up 33 per cent from last year – a very significant measure that signals our efforts to raise awareness and understanding of CCUA are working. Our overall member engagement score also increased to 72, up from 68.5 in just two years. This is a composite measure based on overall satisfaction and interaction with the Association.

We also took to heart feedback from a series of interviews with credit union CEOs that suggested our members want us to have a sharper focus on results, to communicate our mandate more clearly, to refine service offerings in some of our business lines, and to be bold in the area of thought leadership.

When CCUA was established, in addition to integrating trade services where it made sense, we committed to a multi-year process for reviewing bylaws, updating board composition, and ultimately – in January 2021 – implementing a new fee model to see credit unions pay dues directly to CCUA rather than through the Centrals. Each of these commitments is being addressed as promised. By-law amendments in 2018 were approved after extensive engagement with members, and a new board composition has been approved. We were pleased that these proposals received a 99 per cent approval and our first online member meeting. And, we have made good progress on the integration of some trade services, particularly in the area of government relations.

We are also working on a plan to support the smooth implementation of the new fee model. In addition to the extensive engagement that already animates so much of our work at the Association, we are working closely with our members to review our services and continue to ensure we are delivering the services credit unions want. This engagement is in tandem with our ongoing internal assessment of services, through the lens of core versus non-core, and fee-for-service delivery.

This work is important because it sets our course for the future and helps ensure our on-going effectiveness as your national voice. At the same time, throughout 2018, we have continued and improved our support credit unions, with demonstrably positive results.

Momentum has continued to build in government relations and advocacy. Having seen the effective power of our grassroots – 5.8 million members in every corner of the country – we have been fearless in asking for better competitive conditions for credit unions. Whether that is through continued advocacy for Bank Act changes both to support federally-regulated credit unions and to continue to clarify requirements on the use of generic banking terminology, or whether it is through our engagement with provincial governments on legislative change and adaptation of Basel III, we are not afraid to knock on every door to be heard – and to get results.

Our compliance work is considered essential by our members, and we have ensured credit unions continue to have tools to effectively manage new and existing regulatory requirements. This has been a particularly acute need in the rapidly-changing environment of anti-money laundering and privacy, and in the context of an overall regulatory approach that can be characterized as increasingly detailed and complex.

We saw new guidelines from the Office of the Privacy Commissioner on Consent and Mandatory Breach Notification, which came into effect this past winter. On this and other regulatory initiatives, we have worked closely with credit unions to prepare feedback to government, in order to speak with one voice about the needs of our sector and the impacts of new government initiatives.

As CCUA has evolved over the past three years, we have followed through on our commitment to leadership as a national trade association with dedicated staff located in cities across the country. And we have done it with a flat budget in 2019 and an ongoing commitment to fiscal responsibility.

For the credit union sector we represent, profits increased in 2018 by 29.5 per cent, and equity increased by 8.5 per cent. Assets, deposits and loans all increased. CCUA has been proud to keep our costs flat while the system grows – in fact, there is a declining trend in relative cost of member assessments.

I want to thank CCUA's Board of Directors for their commitment and dedication to ensuring a strong CCUA. I would also like to thank all of the employees at CCUA for a very successful 2018, and for their commitment to aggressive, thoughtful and creative plans for 2019.

There has never been a more important time for credit unions to have a single, strong and influential voice to represent them. CCUA is a key link between credit unions across the country regardless of their size, complexity, location or niche. We provide the bridge across a bifurcated system, and we give voice to the collective aspirations of a sector that provides the only real competitive choice to the big banks in Canada.

I invite all of our members to celebrate 2018, and even more importantly to work with us as we pave the way for a sustainable and vibrant CCUA for the future.

Martha

Martha Durdin
President & CEO

BUSINESS OVERVIEW

2018 Financial Highlights

Canadian Credit Union Association Financial Highlights

Management Discussion and Analysis

The Financial Summary that follows this Management Discussion and Analysis of the Canadian Credit Union Association's (CCUA) 2018 financial results includes only the consolidated financial statements, and not the notes that support the statements. As such, they don't constitute the audited financial statements of CCUA since the notes are an integral component of the audited financial statements. The complete audited financial statements, including the independent auditor's report, are available through CCUA's website at www.ccua.com/publications.

On December 30, 2015, Credit Union Central of Canada (CUCC) was continued as 189286 Canada Inc., a company incorporated under the Canada Business Corporations Act. This company continues to be known as Credit Union Central of Canada (CUCC) but is no longer a federally-regulated financial institution. On January 1, 2016 substantially all the assets and liabilities of CUCC were transferred to CCUA, which operates as the national trade association for Canada's affiliated credit unions and caisses populaires.

From a financial management and reporting perspective, the 2018 financial statements present the full scope of CCUA's activities. The financial statements of Credit Union Institute of Canada (CUIC Inc.) operating as Cusource, have been consolidated with the financial statements of CCUA. CCUA is the sole shareholder of CUIC Inc. CCUA prepares its financial statements in accordance with International Financial Reporting Standards (IFRS).

The year ended December 31, 2018 was another successful year for CCUA, which continues its evolution as a national trade association. CCUA achieved 104.5% on key performance indicators, 103.5% on the member engagement target, and 108.0% on financial performance objectives. CCUA is proud of its success and continues to look for new ways to serve Canada's co-operative financial institutions.

Effective January 1, 2018 the organization adopted International Financial Reporting Standard) IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers. Adoption of these new standards had a negligible impact on the financial statements of CCUA.

Consolidated statement of financial position

Total assets increased by $1,509,000 (20.1%) in 2018 driven in large part by an increase in cash of $1,352,000. Cash balances were impacted by the timing of accumulated pass-through costs, of which $978,000 of this increase related to cash flows associated with the National ATM program. This increase is mirrored in the liabilities section of the balance sheet where trade payables increased $978,000 to $2,098,000 due to the same timing issue. The remainder of the cash increase came from several sources including 2018 total comprehensive income of $614,000. Intangible assets declined by $392,000 to $324,000 as they continue to be amortized in accordance with IFRS. Aside from these two changes the composition of CCUA's asset base has remained largely consistent throughout fiscal 2018, with no major investments in property or equipment. Total comprehensive income of $614,000 was utilized to fund the growth of CCUA's capital base in accordance with its Board-approved capital plan. Total equity increased from $2,869,000 at December 3, 2017 to $3,483,000 at December 31, 2018 as a result of this decision.

Consolidated Statement of Comprehensive Income

Revenue:

CCUA general member assessments increased in line with inflation by $219,000 (1.98%) to $11,278,000 in 2018. CCUA is committed to minimizing these assessments through prudent fiscal management of its operations. The five regional Centrals currently collect assessments from member credit unions and submit them to CCUA on their behalf. As CCUA transitions to a direct-pay model in 2021 all products and services are being reviewed to determine whether they are core to the CCUA mandate, and whether there is an opportunity to strengthen the balance between assessments and fee-for-service.

Revenue from fee-for-service sources, primarily management services, Cusource educational products, and conferences, was up $1,126,000 (13%) to $9,776,000 in 2018. Conference revenue was up $472,000 due to the bi-annual Lending and Treasury conferences that were both held in 2018. Cusource revenue experienced a slight decline of $61,000 (1.3%) in 2018 due largely to the structural challenges posed by a declining number of credit unions. Other revenue was up by $422,000 to $641,000 in 2018 due to a gift deed related to the dissolution of the Marketing Association for Credit Unions, the addition of Enterprise Magazine advertising revenue, and the final payment out of a national ATM procurement program. Management services revenue was also up $181,000 (9.3%) due to strategic initiatives in the payments space where CCUA supports member credit unions and committees with their mobile pay and network compliance initiatives.

Operating expenses:

Salaries and benefits increased $1,179,000 (13.9%) to $9,646,000 in 2018. There were several vacancies across the organization that were filled in 2018, which were partially or fully vacant in 2017. These former vacancies accounted for $642,000 (54.4%) of the total increase. This is offset by a $571,000 decrease in professional fees representing a transition away from contract workers, which were relied upon more extensively in 2017. The other contributor to the increase was an increase of $198,000 in incentive compensation driven by the higher number of permanent employees eligible for the program.

Actual salaries and benefits of $9,646,000 were significantly below budget of $10,327,000. Unfilled vacancies contributed $410,000 while re-grading of new hires contributed an additional $270,000 to this variance. Conference expenses increased by $583,000 in 2018 due to the two bi-annual conferences and are offset by additional conference revenue of $472,000.

Technology, administration and other increased $264,000 (19.5%) to $1,616,000. Operating expenses associated with the addition of Enterprise magazine contributed $123,000 to this increase, while the National Awards night contributed another $49,000 due to the added cost of holding the event in Toronto. The additional Enterprise magazine expenses were offset by advertising revenue of $85,000.

Other comprehensive income of $92,000 represents a fair value gain on the Class A shares CCUA holds in Concentra Bank, which was continued as a bank on January 1, 2017. The shares are fair valued each year using a discounted cash flow model to arrive at a present value, and resulting gains or losses are classified as other comprehensive income in accordance with IFRS.

Total comprehensive income decreased by $117,000 (15.9%) to $614,000 and was used to fund retained earnings in accordance with CCUA's capital plan.

Risks and Capital levels:

The risks facing CCUA were considered by the Board along with their probabilities of occurring and potential impacts as part of its ongoing enterprise risk management framework. This led to the development of a formal Board-approved capital plan, which was implemented in 2018. CCUA is sensitive to the notion that there is already too much capital tied up in the system, and only retains a small amount of capital to adequately mitigate against certain key operating and strategic risks. The approved capital target has been set at $4,720,000. The risk profile of the organization will change again when the five-year funding guarantee provided by the Centrals ceases in 2021, so CCUA intends to reach its target level over time by funding retained earnings with operating surpluses when they arise. Total capital at December 31, 2018 was $3,483,000 representing a shortfall of $1,237,000 from target.

Financial Summary:

The Financial Summary which follows contains the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows in a reporting format consistent with IFRS requirements. As stated above, they cannot be considered as the audited statements unless they are read in conjunction with the independent auditor's report and the Notes to the statements. The complete audited financial statements, including the independent auditor's report, are available through CCUA's website at www.ccua.com/publications.

BUSINESS OVERVIEW - FINANCIAL RESULTS 2018

Consolidated Statement of Financial Position

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Cash	$ 3,978,440	$ 2,626,195
Restricted deposits	454,252	447,150
Accounts receivable	1,377,9640	1,021,778
Accumulated pass-through costs due from members	108,787	24,296
Investments	1,110,063	1,017,963
Property and equipment	852,664	1,010,208
Intangible assets	324,188	716,411
Other assets	807,741	640,844
Total assets	**$ 9,014,099**	**$ 7,504,845**
Liabilities and Equity		
Liabilities:		
Trade payables	$ 2,097,827	$ 1,119,449
Accumulated pass-through costs due to members	491,786	850,507
Deferred revenue	621,515	664,702
Current tax liabilities	120,611	82,840
Supplemental pension plan	466,823	450,153
Other liabilities	1,732,250	1,467,867
Total liabilities	5,530,812	4,635,518
Equity:		
Shared capital	1,129,151	1,129,151
Contributed surplus	936,261	936,261
Accumulated other comprehensive income	92,100	–
Retained earnings	1,325,775	803,915
Total equity	3,483,287	2,869,327
Total liabilities and equity	**$ 9,014,099**	**$ 7,504,845**

On behalf of the Board:

Bill Maurin

Bill Maurin
Board Chair

Keith Nixon
Audit Committee Chair

Consolidated Statement of Comprehensive Income

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Revenue:		
Assessments to members	$11,277,816	$11,058,536
Course and related items	4,625,024	4,685,630
Management services	2,124,040	1,942,732
Conference revenue	1,971,708	1,499,623
Marketing sales	414,231	302,911
Other revenue	641,467	219,359
	21,054,286	19,708,791
Operating expenses:		
Salaries and benefits	9,645,582	8,466,754
Professional services	1,381,229	1,951,837
Course and related items	1,464,590	1,538,222
Trade memberships and subscriptions	1,463,452	1,455,961
Technology, administration and other	1,615,590	1,351,981
Conference	1,823,128	1,240,586
Premises and equipment	985,986	1,037,103
Marketing	844,211	717,886
Depreciation and amortization	665,403	661,018
Program development	397,768	430,276
	20,286,939	18,851,624
Income before income taxes	767,347	857,167
Income taxes	245,487	126,565
Net income	521,860	730,602
Other comprehensive income, net of taxes Items that will not be reclassified to net income: Unrealized gains on fair value through other comprehensive income investments	92,100	–
Total comprehensive income	**$ 613,960**	**$ 730,602**

Consolidated Statement of Changes in Equity

Year ended December 31, 2018, with comparative information for 2017

2018	**Share capital**	**Contributed surplus**	**Other Income**	**Retained earnings**	**Total**
Balance, beginning of year	$ 1,129,151	936,261	92,100	803,915	$ 2,961,427
Net income				521,860	521,860
Total equity, end of year	**$ 1,129,151**	**$ 936,261**	**$ 92,100**	**$ 1,325,775**	**$ 3,483,287**

2017	**Share capital**	**Contributed surplus**	**Other Income**	**Retained earnings**	**Total**
Balance, beginning of year	$ 1,129,151	936,261	-	73,313	$ 2,138,725
Net income				730,602	730,602
Total equity, end of year	**$ 1,129,151**	**$ 936,261**	**-**	**$ 803,915**	**$ 2,869,327**

Conslidated Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash flows provided by (used in):		
Operating activities:		
Net income	$ 521,860	$ 730,602
Items not involving the use of cash:		
Depreciation and amortization	665,403	661,018
Income tax expense	245,487	126,565
Change in operating assets and liabilities:		
Restricted deposits	(7,102)	(1,473)
Accounts receivable	(365,186)	342,523
Accumulated pass-through costs due from members	(84,491)	149,942
Accumulated pass-through costs due to members	(358,721)	(359,875)
Trade payables	978,377	(1,286,468)
Supplmental pension plan	16,671	4,478
Other assets	(166,897)	(110,425)
Other liabilities	264,384	170,623
Deferred revenue	(43,187)	105,598
Income tax paid	(207,717)	(69,725)
	1,467,881	463,383
Investing activities:		
Acquisition of property and equipment	(105,772)	(205,288)
Development of intangible assets	(9,636)	(325,202)
	(115,636)	(530,490)
Increase (decrease) in cash	1,352,245	(67,107)
Cash, beginning of year	2,626,195	2,693,302
Cash, end of year	**$ 3,978,440**	**$ 2,626,195**

CCUA BOARD OF DIRECTORS

(as of December 2018)

Board Chair: Bill Maurin, President & CEO, Meridian, ON

Vice Chair: Paul Kelly, CEO, Connect First Credit Union, AB

Shelley Besse, Chief Operating Officer, First West Credit Union, ON

Mark Blucher, President & CEO, Central 1, BC/ON

Stephen Bolton, President, Libro Credit Union, ON

Ian Burns, President & CEO, Credit Union Central Alberta

Allison Chaytor-Loveys, CEO, Newfoundland & Labrador Credit Union, NL

José Gallant, Senior Vice President & Chief Administration Officer, Alterna Savings and Credit Union, ON

Michael Leonard, President & CEO, Atlantic Central

Garth Manness, CEO, Credit Union Central of Manitoba

Robert Moreau, President & CEO, UNI Financial Cooperation, NB

Keith Nixon, CEO, SaskCentral

Ken Shea, President & CEO, East Coast Credit Union, NS

Kevin Sitka, President & CEO, Assiniboine Credit Union, MB

Glenn Stang, CEO, Synergy Credit Union, SK

Gavin Toy, President & CEO, Westminster Savings Credit Union, BC

CCUA EXECUTIVE TEAM

Martha Durdin, President & CEO

Korinne Collins, Vice President, Professional Development & Education

Jeff Erickson, Vice President, Corporate Services & Chief Financial Officer

Michael Hatch, Associate Vice President for Financial Sector Policy

Valerie Lewis, Director, Human Resources

Brenda O'Connor, Vice President, Governance and Strategy, Legal and Policy

Suzanne Peters, Assistant Vice President, Communications

Martin Reed, Vice President, Marketing & Research

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