

2020

PenFinancial
Credit Union

ANNUAL REPORT



FINANCIALS

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KPMG LLP
Commerce Place
21 King Street West, Suite 700
Hamilton Ontario L8P 4W7
Canada
Telephone (905) 523-8200
Fax (905) 523-2222

INDEPENDENT AUDITORS' REPORT

To the Members of PenFinancial Credit Union Limited

Opinion

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

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

are derived from the audited financial statements of PenFinancial Credit Union Limited as at and for the year ended December 31, 2020 (the "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 1 in the summary financial statements.

Summary Financial Statements

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

The summary financial statements and audited financial statements do not reflect the effects of events that have 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 February 24, 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 1 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, with the audited financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard 810, Engagements to Report on Summary Financial Statements.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Ontario
February 24, 2021

PENFINANCIAL CREDIT UNION LIMITED

Summary Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Cash	\$ 12,776,775	\$ 23,616,389
Investments	84,184,644	50,062,350
Loans to members	585,550,654	575,209,029
Other assets	1,203,068	816,424
Current income tax asset	-	209,008
Investment in joint venture	77,487	77,487
Property and equipment	12,612,262	13,741,349
Intangible assets	192,851	200,843
	\$ 696,597,741	\$ 663,932,879
Liabilities		
Deposits from members	\$ 593,094,257	\$ 552,349,858
Other liabilities	4,955,655	4,993,572
Mortgage securitization liabilities	51,722,113	61,811,163
Current income tax liability	264,712	-
Deferred income tax liability	44,892	127,468
Membership shares	214,149	220,129
	650,295,778	619,502,190
Members' Equity		
Class B special shares	25,145,454	24,164,957
Retained earnings	21,156,509	20,265,732
	46,301,963	44,430,689
	\$ 696,597,741	\$ 663,932,879

See accompanying note to summary financial statements.

PENFINANCIAL CREDIT UNION LIMITED

Summary Statement of Comprehensive Income

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

	2020	2019
Interest income	\$ 21,138,605	\$ 21,676,723
Investment income	1,178,707	1,103,746
	22,317,312	22,780,469
Interest expense	8,677,999	9,497,076
Other interest expenses	1,822,209	1,875,734
	10,500,208	11,372,810
Net interest income	11,817,104	11,407,659
Provision for impaired loans	590,411	(31,531)
Net interest margin	11,226,693	11,439,190
Net gain from other financial instruments carried at fair value through profit or loss	993	603
Loss on disposal of property and equipment	(37,024)	-
Other income	4,479,385	3,687,105
Total operating income	15,670,047	15,126,898
Deposit insurance premium	450,232	412,780
General and administrative	4,107,086	4,259,565
Occupancy	1,706,644	1,707,712
Personnel expenses	7,493,126	7,574,827
Total operating expenses	13,757,088	13,954,884
Income before income taxes	1,912,959	1,172,014
Income tax expense	351,209	71,447
Total comprehensive income	\$ 1,561,750	\$ 1,100,567

See accompanying note to summary financial statements.

PENFINANCIAL CREDIT UNION LIMITED

Summary Statement of Changes in Members' Equity

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

	Class B special shares	Retained earnings	Total
As at January 1, 2019	\$ 23,570,415	\$ 20,045,670	\$ 43,616,085
Total comprehensive income	-	1,100,567	1,100,567
Total dividends declared on Class B special shares (net of tax recovery of \$199,867)	-	(880,505)	(880,505)
Dividends reinvested in Class B special shares	951,692	-	951,692
Net shares redeemed	(357,150)	-	(357,150)
As at December 31, 2019	\$ 24,164,957	\$ 20,265,732	\$ 44,430,689
Total comprehensive income	-	1,561,750	1,561,750
Total dividends declared on Class B special shares (net of tax recovery of \$149,287)	-	(670,973)	(670,973)
Dividends reinvested in Class B special shares	980,497	-	980,497
As at December 31, 2020	\$ 25,145,454	\$ 21,156,509	\$ 46,301,963

See accompanying note to summary financial statements.

PENFINANCIAL CREDIT UNION LIMITED

Summary Statement of Cash Flows

December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operations:		
Net income	\$ 1,561,750	\$ 1,100,567
Items not involving cash:		
Provision for impaired loans	590,411	(31,531)
Interest income	(21,138,605)	(21,676,723)
Interest expense	8,677,999	9,497,076
Depreciation and amortization	1,158,729	1,219,042
Net gain from other financial instruments carried at fair value through profit or loss	(993)	(603)
Loss on sale of property and equipment	37,024	-
Income tax expense	351,209	71,447
	(8,762,476)	(9,820,725)
Change in operating assets/liabilities:		
Change in loans to members	(10,880,885)	(1,805,845)
Change in deposits from members	42,084,015	39,404,242
Change in other assets and liabilities	15,263	294,921
	22,455,917	28,072,593
Interest received	21,085,435	21,735,138
Interest paid	(10,017,615)	(8,267,831)
Income tax paid (net of recoveries received)	191,242	(80,039)
	33,714,979	41,459,861
Investing:		
Net change in investments	(34,121,301)	(6,048,149)
Purchase of intangible assets	(96,280)	(93,986)
Purchase of property and equipment	(321,095)	(549,060)
Proceeds received on disposal of PPE	-	28,025
	(34,538,676)	(6,663,170)
Financing:		
Proceeds from securitization of mortgages	9,093,439	-
Repayment of mortgage securitization liabilities	(19,182,489)	(16,869,158)
Redemption of membership shares – net	(5,980)	(2,466)
Issuance of Class B special shares	980,497	951,692
Redemption of Class B special shares	-	(357,150)
Dividends on Class B shares	(820,260)	(1,080,374)
Repayment of lease liabilities	(81,124)	(162,358)
	(10,015,917)	(17,519,814)
(Decrease) Increase in cash	(10,839,614)	17,276,877
Cash, beginning of year	23,616,389	6,339,512
Cash, end of year	\$ 12,776,775	\$ 23,616,389

See accompanying note to summary financial statements.

PENFINANCIAL CREDIT UNION LIMITED

Note to Summary Financial Statements

Year ended December 31, 2020

1. Applied criteria in the preparation of the summarized financial statements:

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

The preparation of these summary financial statements requires management to determine the information that needs to be reflected in them so that they are consistent in all material respects with the audited financial statements.

Management has prepared these summary financial statements using the following criteria:

- a) the summary financial statements include a statement for each statement included in the audited financial statements;
- b) information in the summary financial statements agrees with the related information in the audited financial statements;
- c) major subtotals, totals and comparative information from the audited financial statements are included; and
- d) the summary financial statements contain the information from the audited financial statements dealing with matters having a pervasive or otherwise significant effect on the summarized financial statements.

The audited financial statements of PenFinancial Credit Union Limited are available upon request by contacting the Credit Union.

NOTES

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2020

CONTACT US



247 East Main Street
Welland, ON, L3B 3X1



info@penfinancial.com



1-866-272-4275



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penfinancial.com