

**We TRY HARDER.** We have heart.  
We know you do too.

**We choose CHANGE.**



*IT TAKES COURAGE TO BE DIFFERENT.*

**Driven by PURPOSE.**

Having fun and feeling good about our choices.

**We believe the prosperity of our members  
and our community goes hand in hand.**

Together we get what we give.

**We are TRULY LOCAL.**

*REMAINING INCLUSIVE AND ACCOUNTABLE,  
WITH INTEGRITY AND RESPECT.*

Improving lives.

**STRENGTHENING COMMUNITIES.**

This is our  
commitment  
to each other.

**2018**  
Annual Report

# Our Commitment

## OUR MISSION

**At PenFinancial Credit Union,  
we improve lives and  
strengthen communities.**

## OUR VISION

**We will be your truly local financial partner  
of choice, committed to inclusive and  
authentic relationships. Trust us to make  
your experience personal and simple.**

## OUR VALUES

 **Accountability**

We take ownership for success while ensuring inclusivity, social responsibility and cooperative principles.

 **Passion**

We deliver personal service by listening, guiding, nurturing and caring.

 **Integrity**

We develop trusting relationships and maintain the highest ethical standards.

 **Respect**

We build mutual respect through honest and authentic relationships.

 **Knowledge**

We are committed to continuous learning.



**We are proud ambassadors  
of PenFinancial Credit Union.**

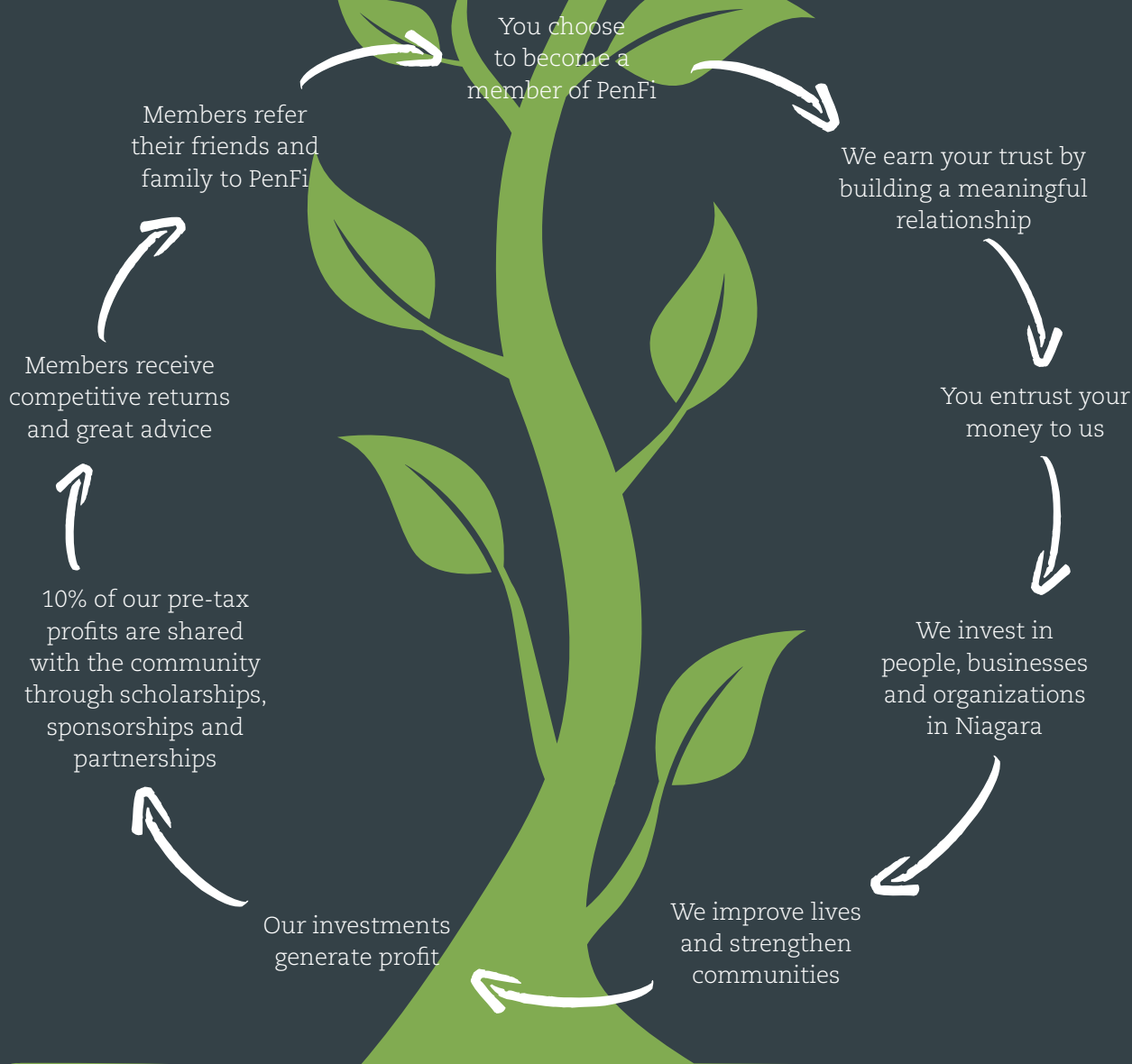
**Pen  
Financial**  
Credit Union

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When you choose to become a member with PenFi, we give you the freedom to choose what life you want to live. Not what everyone else thinks it should be. You set the ground rules and we partner with you to help you achieve your financial goals – however you define them. We offer you financial solutions that generate prosperity for you and your community. It's called Truly Local Banking – a values based model that works a lot like the circle of life, only we like to call it **the PenFi 'Journey of Trust'**.

# the PenFi JOURNEY OF TRUST





# We are a values-based financial co-operative that believes the prosperity of our members and our community go hand in hand.

Building relationships with members to help them achieve their goals, supporting businesses to create a thriving local economy and contributing to organizations to build strong communities are the reasons PenFinancial Credit Union exists. **We are driven by purpose.** Purpose to live by our Truly Local Commitment by creating a values-based banking alternative that is meaningful to the people we serve. Much like the philosophies of co-operatives and credit

unions that were formed across the country over a century ago, PenFinancial always puts people before profit. Our employees are our brand, our back-bone and our best advocates. Our communities help guide us to make thoughtful decisions that impact many. Our members are the reason we are a truly local credit union that is thriving.

**2018 was a year of growth, of change and of focus.** We have a vision that is clearer than ever before and we are happy that you're joining us on our truly local journey of comfortable financial happiness and safe and thriving communities.



# Report from the Board Chair

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The more our Credit Union grows, the more work, more branches, and more jobs at PenFinancial. It also means more money being **invested back into our community.**

A new year has started and that, for me, is time to reflect on the year past and what the New Year may bring.

The responsibilities of your Board of Directors as described in the Deposit Insurance Corporation of Ontario handbook include:

- Setting the strategic plan of the Credit Union and providing oversight to monitor the achievement of strategic goals;
- Establishing the Credit Union's business objectives;
- Establishing the Credit Union's risk appetite and risk tolerance with respect to the management of key financial and operating risks, as well as strategic risks;
- Reviewing and approving the Credit Union's policies and annual business plan;
- Ensuring that qualified and competent management is appointed to implement appropriate risk measurement techniques and risk management procedures;
- Ensuring the succession plans are in place for key members of the management and staff of the Credit Union;
- Reviewing and approving the annual internal and external audit plans;
- Reviewing reports of the Audit & Risk Committee and ensuring that all recommendations are appropriately addressed;
- Monitoring the performance of the Credit Union to ensure adherence to policy and the annual business plan; and
- Overseeing community relations and protecting member's rights.



I am pleased to report to you the member/owners of PenFinancial Credit Union that your Board of Directors has fulfilled the requirements of our regulator, DICO, and the Credit Union is operating within the regulatory requirements set forth.

PenFinancial has grown in the past year in many ways. As our financial statements show, we have grown in asset size and deposits. What the financials do not show is the growth in our culture and the way we are living our values. Our dedicated staff continue to demonstrate what it means to “Improve lives and strengthen communities” as they serve you the members and fulfill their roles and responsibilities.

We have also moved our strategic plan forward. Last year, the Board Chair reported we have developed a multi-year strategic plan and I am

happy to report we are on target with this plan. Evidence of this is in the opening of our Fourth Ave. Branch. To all those who helped make this happen, thank you. We have received many compliments regarding this branch and

“What the financials do not show is the growth in our culture and the way we are living our values.”

many community groups have taken advantage of the new community meeting room the branch offers.

We have grown in governance as well. Your Board of Directors continues to expand our knowledge by participating in training courses, attending credit union system events and maintaining relationships with other credit union directors and leaders.

2019 will see changes to your Board of Directors. For the first time in many years we will see several new faces around the Board table. We all look forward to working with management and being part of a team that helps shape PenFinancial Credit Union.

Your Board believes we have set the stage for a strong future for PenFinancial and that all of us at PenFinancial are true leaders of the communities where we live, work and play.

I thank all those who support us through your membership and to the staff who work hard for the members every day.

Together we ‘Improve lives and Strengthen communities’.

N. Reg Sonnenberg

Chair, Board of Directors,  
PenFinancial Credit Union

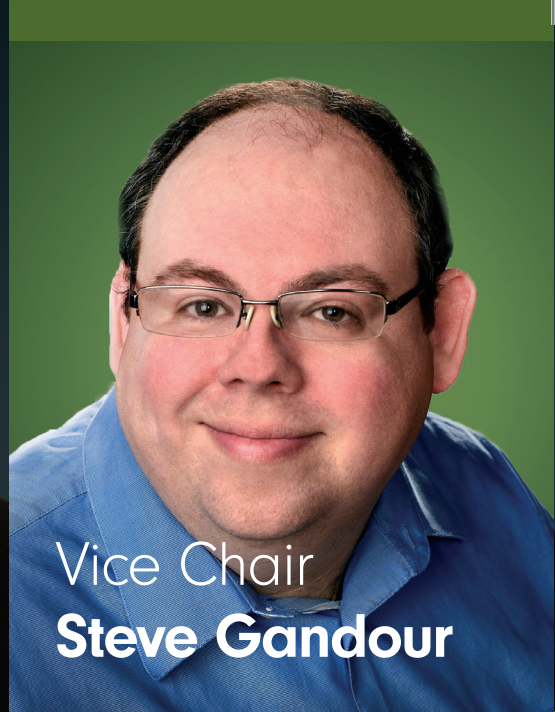




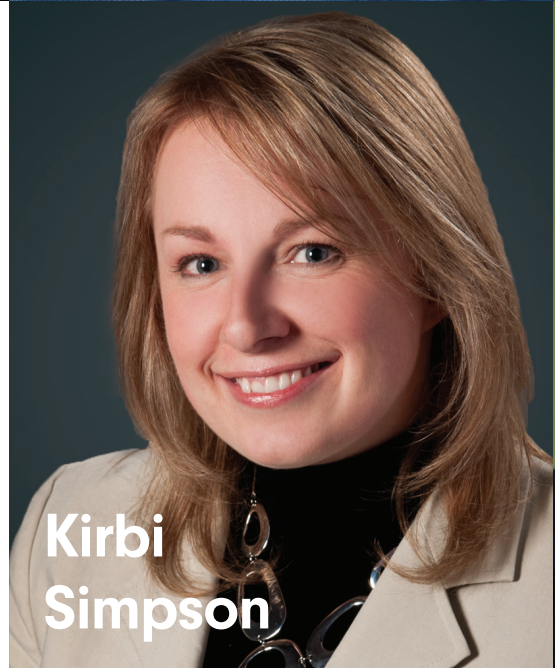
**Evan  
Acs**



**Dave  
Chamberlain**



**Vice Chair  
Steve Gandour**



**Kirbi  
Simpson**

# Board of Directors

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Chair  
**Dave Jastrubecki**



**Diane  
Nieuwesteeg**



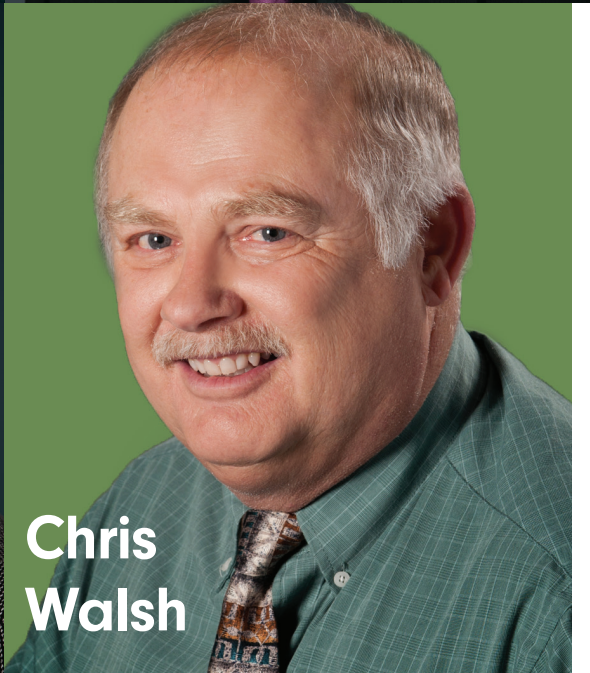
**Reg  
Sonnenberg**



**Rick  
Tabaka**



**David  
Tsang**



**Chris  
Walsh**



# Report from the Chief Executive Officer

During 2018, the Credit Union launched its Truly Local Commitment. The Commitment is built on 8 pillars representing “the heart and soul of the PenFinancial philosophy”, where we believe the prosperity of our members and the Niagara communities go hand in hand. The Commitment supports our mission and vision and articulates the “why” of our existence.

In 2017, we unveiled our new 5-year Strategic Plan, which provides our roadmap to achieve our local commitment.

The strategy focuses on Fostering Truly Local Banking; Demonstrating Financial Stewardship; Creating a Personal Member Experience; Improving Efficiency and Simplicity; and Optimizing the Use of Human Resources. The Plan describes a strong credit union that supports its members in pursuit of their financial goals in an inclusive and accountable fashion.

“Listening to our members is vital.”

In 2018, I am pleased to report we moved our plan forward, supporting strong and sustainable growth, which allows for investments in the future, while meeting the needs of today.

The launch of our new branch on Fourth Avenue in St. Catharines symbolizes our Commitment. The building provides a state-of-the-art facility to support our members with the architectural focus point of the building being our Community Room. This space can be used by community groups free of charge to support their important work. Welcoming

these groups is symbolic of all our efforts to support communities and I am pleased to report the room has been a tremendous success.

## Demonstrate Financial Stewardship

The 5-year plan called for 2018/2019 to be the “investment years”. The goal was to achieve the following milestones by the end of 2019: grow our asset base to \$650M; maintain our capital ratio above 6.8%; and show net earnings of \$800K annually to support our balance sheet – all the while creating a truly memorable experience for our members. In 2018, we achieved results which put the Credit Union on track to achieve these goals by the end of 2019. Over the past year, the Credit Union’s assets grew by \$56.5 million or 9.75% ending at \$636 million. This was achieved through lending growth of \$52 million, representing a growth rate of 9.96%. This growth included \$28 million dollars lent to our corporate members which supported their investment in the Niagara economy.

Our members continue to show their support of the Credit Union by investing their hard-earned dollars with us. In 2018, deposits increased by \$45 million dollars, representing an increase of 9.70%. The strong growth and diligent management of expenses allowed the Credit Union to





post a net income of \$1.3 million dollars, representing an increase of 33% over 2017. This income was added to our capital base and helped us end the year with a strong capital ratio of 7.01% – above the 4% level required in the Credit Union Act and also above the average ratio of 6.25% for credit unions in Ontario. These strong financial results allowed the Board of Directors to declare a dividend payment of 4% on our investment shares for 2018.

During the year, our provincial regulator, the Deposit Insurance Corporation of Ontario (DICO), issued various guidance notes regarding liquidity and securitization. CMHC also instituted new reporting requirements. We are pleased to advise that we met all deadlines as required

and remain compliant with all regulations insuring the Credit Union remains a stable financial institution. Compliance includes meeting established thresholds to support IT security and we continue to invest in systems to guard our member's safety in the area of cyber-security.

### **Foster Truly Local Banking**

We are very proud of our Truly Local Commitment which commits the Credit Union to help strengthen our local communities by giving back 10% of our pre-tax profits through our Community Investment Program each year. In 2018, we were also recognized as a Champion Level certified Living Wage Employer – the only such financial institution in Niagara.



Obtaining this certification set a strong example of corporate and social leadership. We also became a certified B Corporation. B Corp is a worldwide movement with over 2,500 companies participating in 50 countries. The B Corp movement supports social capitalism which requires transparent, verified, and measurable standards of social and environmental accountability. This certification provides a strong roadmap to support how the Credit Union will operate moving forward.

### **Create a Personal Member Experience**

In support of our member experience, the Credit Union continues to expand its wealth offering through the creation and integration of a member-centric life events conversation tool to support members of all ages and all life stages. We added Q Trade, an award-winning online brokerage for our members. The introduction of Coconut Calendar allows for our members to book meetings with our advisors using a self-service online interface. We also continue to enhance our digital offering – the fastest growing delivery channel in the Credit Union. For our Commercial members, we introduced Member Direct Small Business, an electronic platform enhancement supporting online banking. We also

embarked on the digitization of all documentation. This will allow for easy transfer of information within our secure network and lays the groundwork for e-signatures to support our members' busy lifestyles. The move towards increased digital banking complements our trusted branch delivery network and ongoing commitment to personal service.

Listening to our members is vital. To that end, we engaged PMG Intelligence to complete a comprehensive survey of both members and non-members providing information on what we can do to continue to deliver and provide services and products our members require in an ever-changing environment. The survey results showed our members trust us and are looking for increased communication from us to support their financial goals. We will continue to build on this data to develop products and services in the best interest of our existing members and future members.

### **Improve Efficiency and Simplicity**

We are proud to report that the Credit Union's 2018 Efficiency Ratio fell to 87% from the 92% achieved in 2017. This measurement is an industry standard which calculates the amount spent to earn \$1 in revenue. A lower ratio supports a strong and sustainable Credit

Union. We note our credit union peers in Ontario had an average efficiency ratio of 81% in 2018. To support continued improvement in this area, we continue to move towards a structure of centralized back-office operations for mortgages, deposits and compliance activities. By doing so, we achieve two goals: 1) free up time within the branches so staff can devote more time to members; and 2) offer specialized care for our members through dedicated departments.

### **Optimize the Use of Human Resources**

The Credit Union welcomed 19 new employees into our family during the year. We continue to invest in training to better serve our members and foster our culture of the following values: Accountability, Passion, Respect, Integrity and Knowledge. The creation of our own training modules based on Stephen Covey's 7 Habits of Highly Effective People teaches a structure and knowledge base that serve as expectations of how we wish our staff to support our membership in defining and meeting their needs. This was supplemented with our first all-employee all-day training session where the focus was on employee wellness.

We would like to acknowledge and thank Steve Gandour and David Tsang who are both retiring from the Board. Steve served the Credit Union as a Board member of Dunnville & District Credit Union beginning in 2005 and then with the merged PenFinancial Board since 2016. David has been a long-serving member of the Board since 2005.

We should be proud of our achievements in 2018 as we continue to grow a Credit Union which is inclusive and open to all members of our community.

*Respectfully submitted,*



*Ken Janzen*

*Chief Executive Officer*





# We were proud to launch our **Truly Local Commitment** to Niagara in July 2018 at the opening of our new flagship branch on Fourth Avenue in St. Catharines.



## Our TLC promises include:

- 1 Making a Truly Local Commitment to offer Niagara residents and businesses a wide variety of competitive products and financial solutions designed to generate personal wealth and security AND give back to our communities, creating social good.
- 2 Making a Truly Local Commitment to help improve lives and strengthen communities by giving back 10% of our pre-tax profits through our Community Investment Program.
- 3 Making a Truly Local Commitment by being a Champion Level certified Living Wage Employer, and officially part of the Ontario Living Wage Network, the first private sector Living Wage Employer in Niagara.
- 4 Making a Truly Local Commitment to buy locally first where possible – sourcing local suppliers, vendors and businesses that share the values that align with PenFinancial.
- 5 Making a Truly Local Commitment by working collaboratively to address challenges like poverty, homelessness and housing needs and finding ways to bring mental health support to the many residents in Niagara who are struggling with support for their loved ones. Supporting these three pillars in inclusive ways that involve sharing talent, volunteers, community service, sponsorships and direct action.
- 6 Making a Truly Local Commitment to become the only credit union in Niagara to be a Certified B Corporation that pledges to use business as a force for good. Becoming a B Corp adds transparent, verified, measurable standards of social and environmental accountability.
- 7 Making a Truly Local Commitment to transparent, inclusive and values-based governance including our allocation of TLC funding.
- 8 Making a Truly Local Commitment by asking all new members to join with us in a pledge to recognize that the wealth generated by our members can and should also be used to improve the wealth and wellbeing of the entire community, because where you put your money matters.









- 1 Proud sponsors and Bonspiel participants in support of **Community Crew** fundraiser.
- 2 Our CEO gets arrested and we raise \$5,000 in bail to support the **NRPS Cuffs for Cancer** event.
- 3 Our PenFi team running to raise funds for the **Dunnville Hospital Emergency Room** capital campaign.
- 4 Our new Fonthill Branch Grand Opening in January 2018.
- 5 Ken Janzen moderates the “Together We Are More” PowerTalk at the 2018 **GNCC Niagara Economic Summit**.
- 6 Congratulations to Felix, a Main Street Branch member who won our **“Truly Local Growth”** colouring contest!
- 7 Getting dirty for a great cause at the **Fonthill Rotary Mudfest** in support of Big Brothers Big Sisters South Niagara.
- 8 Our Huggins Street team presents new equipment to the **Niagara Falls Soccer Club**.
- 9 The **Niagara Health Foundation** was one of twelve organizations who were recipients of our Community ATM Program in 2018.
- 10 Proud to provide funding to **Red Roof Retreat** to enable transportation of children from Niagara Children’s Centre to Summer Camp in NOTL.
- 11 The PenFi SuperHero team ran in support of the **Niagara Children’s Centre**.
- 12 Thanks to Trail Ridge School for raising funds and collecting skates for our **Skates for Kids** Program.
- 13 Proud to sponsor the **2018 FloatFest** event in Welland.
- 14 Our Fourth Avenue Branch grand opening in July 2018.
- 15 Proud to have supported 15 schools across Niagara with gently used skates and new helmets through our Skates for Kids Program.
- 16 **Wellspring Niagara’s Winter Walk** is an annual event that we are proud to sponsor and participate in.

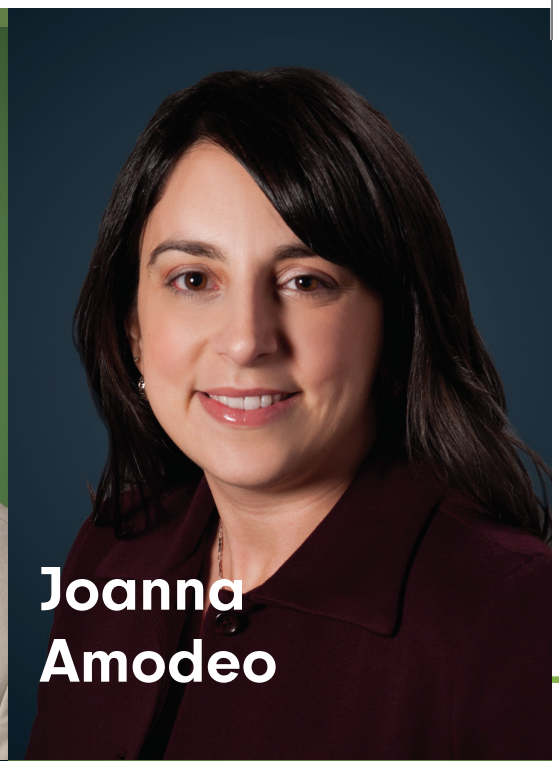




Chair  
**Cliff Priest**



**Kirbi  
Simpson**



**Joanna  
Amodeo**



**Mike  
Cowan**



**Kathy  
Hunermund**



**Jada  
Nicklefork**

# Member & Community Relations Committee





# Report from the Member & Community Relations Committee



“It’s truly wonderful to share why our Credit Union exists... intertwining everything we stand for into the products & services we offer our members.”

In 2018, we had the pleasure of focusing on a new direction for our truly local Credit Union. Our Truly Local Commitment or “TLC” was launched, with the purpose of weaving this new values-based banking model through Our Commitment to improve lives and strengthen communities. Over the year, we supported many of the Credit Union’s initiatives that have positively impacted our brand awareness, employee engagement and community partnerships.

It’s truly wonderful to share why our Credit Union exists and now we are focused on wrapping our Truly Local Commitment around our Truly Local Banking brand and are pleased to demonstrate our Commitment in everything we do, from supporting local charities and community events to buying and investing locally, to providing a living wage, becoming a certified B Corporation, to intertwining everything we stand for into the products and services we offer our members.

At the grand opening of our new Fonthill Branch in January, we were very proud to announce a \$25,000 donation to Wellspring Niagara, our new Pelham neighbour that provides cancer care support services to hundreds of Niagara residents and their loved ones each year. At the grand opening of our new Fourth Avenue Branch, we were proud to launch our Truly Local Commitment by asking all new members to join with us in a pledge to recognize that the wealth generated by our members can and should also be used to improve the wealth and wellbeing of the entire community, because we believe that where you put your money matters.



The impact of our Truly Local Commitment is evident by the number of organizations we supported in 2018 through our TLC Community Investment Program. We partnered with over 40 organizations through sponsorship of their events and activities. We also provided funding to 12 different charities in 2018, through our Community ATM Program. In addition we invested \$12,000 to 12 different charities who we chose to be a part of our Truly Local Commitment 'Compassion Wheel'. Every new member who opened an account between July 4th (the opening of the Fourth Avenue branch) and December 31st, were invited to spin our Compassion Wheel, and we made a donation on their behalf to the organization



that they 'landed on' when they spun the wheel. This provided our members with a greater awareness about the services that each of our 'partner' organizations provided to their friends and neighbours in Niagara.

Richmond Street School students in Thorold hit the ice in March, making them the 15th school in Niagara that now have regular skate day outings thanks to our Skates for Kids Program. Since 2009, our Skates for Kids Program has donated over 3,500 pairs of gently used skates and 2,500 new helmets to schools who have many new Canadian students who now have the opportunity to enjoy this Canadian rite of passage that many of us take for granted.





In the Fall of 2018, PenFinancial Credit Union partnered with Socks for Change, a Niagara based effort with a simple goal: To provide warm, wool socks and other warm winter gear to those less fortunate in our community. Over 76,000 Niagara residents live below the poverty line and each month many families struggle with the decision of paying for rent or food. Our goal is to raise funds and awareness about this growing epidemic in our community, and provide as many socks as possible to those in need in Niagara before and during the winter season. To date, we have donated 20,000 wool socks to 50 charities and 150 schools across Niagara. A special thank you to our own members who have donated over \$2,000, which purchased 1,000 pairs of socks to help us change poverty feet first.

Thanks goes out to our 100 dedicated employees, who continue to support our efforts by volunteering their time and talent in very meaningful ways. For example, we host TLC financial literacy sessions for a variety of organizations like the John Howard Society and Family and Children's Services as well as offer financial literacy in elementary and secondary classrooms across Niagara. We also have a great number of dedicated employees who represent PenFi on a variety of committees and not for profit boards.

It has been a pleasure to help to guide the credit union in their efforts to improve lives and strengthen communities.

*Co-operatively yours,*

*J. Amodeo, M. Cowan,  
K. Hunermund, J. Nicklefork,  
K. Simpson, C. Priest (Chair)*



# Report from the Governance & Human Resources Committee

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## Three areas of responsibility:

- Ensures that governance practices evolve with the needs of the Credit Union. The Committee makes certain that Board members have adequate development and succession plans, the Board is accountable to stakeholders, and that duties and regulatory requirements are fulfilled.
- Assists in protecting the reputation of PenFinancial through the oversight of the development and monitoring of ethical conduct policies followed by directors and employees of the Credit Union.
- Ensures Human Resources policies are in place to provide PenFinancial employees with fair and meaningful employment in a safe and respectful workplace.

The Governance & Human Resources Committee is comprised of five (5) directors who are appointed each year from and by the Board of Directors. Collaboratively, the Committee works with management to monitor the regulatory environment and corporate governance trends to identify opportunities for development and growth.

The Governance and Human Resources Committee is pleased to report that throughout 2018 all responsibilities were carried out in accordance with the







Terms of Reference assigned to it by the Board of Directors. The following briefly outlines a few of the many important initiatives with which the Committee was involved:

- Assisted in the process to establish the CEO's performance objectives and measurements for the year and complete the year-end performance assessment;
- Performed annual Board self- assessment and confirmed committee self-assessments were completed ensuring alignment with individual terms of reference;
- Reviewed all governance related policies for relevance and recommended changes to the Board of Directors.

Your Board strives to increase its collective baseline skills level as it is comprised of continuous learners; we have a growth mindset that our talents can be developed over time. The Governance & Human Resources Committee assists the Board in accomplishing this to the benefit of all our stakeholders.

PenFinancial Credit Union is committed to achieving high standards of effective governance. We challenge ourselves to move 'beyond

compliance' to govern with excellence. We recognize that the Board is responsible for governance; what the Board does and how it does it, is fundamental to good governance.

*Respectfully submitted by your  
2018 Governance Committee,*

*Dave Chamberlain (Chair),  
Evan Acs, Rick Tabaka,  
Dianne Nieuwesteeg,  
Reg Sonnennberg*

Our employees have a lot  
of reasons to enjoy  
working at PenFinancial.

**Learn more at  
[trulylocalcareers.ca](http://trulylocalcareers.ca)**

# Report from the Audit & Risk Committee

## Friends and Family Referral Program

Cash for you  
+ your friend!

Let your friends and family know just how much you care for them by introducing them to the amazing difference of PenFinancial. Visit [trulylocalreferrals.ca](http://trulylocalreferrals.ca)

The members of the PenFinancial Credit Union Audit & Risk Committee has been effectively conducting its affairs as per Section 125 of the Credit Union and Caisses Populaires Act, 1994 and section 27 of Ontario Regulation 237/09. The Committee, which consists of 5 directors meets on a bi-monthly basis and in 2018 met a total of 6 times.

The Committee has received full cooperation from management and utilizes a checklist process to ensure all requirements are tracked and completed on a timely basis. In relation to auditing, the Committee has:

- Reviewed audit reports of branch locations provided by the Internal Auditor Jones and O'Connell and subsequent responses from management;

- Obtained and reviewed the results of the 2018 financial reports provided by the external auditor KPMG LLP;
- Received detailed presentations related to annual audit plans, reviewed relevant results and met with audit firm representatives during in-camera sessions.

Other notable committee activities included:

- Received the results and recommendations from the examination performed by our regulator, DICO;
- Reviewed and approved expenses of the Board and the CEO;



- Provided oversight of Enterprise Risk Management (ERM) to ensure that strategic, operational, financial and regulator objectives are being monitored and responded to by management;
- Attended training opportunities to ensure that professional skills and abilities are further developed.

Committee meeting minutes and verbal reports by the Committee Chair have been provided to the Board for required knowledge and approval purposes.

I am pleased to report that there are no significant recommendations made by the Audit & Risk Committee that have not been either implemented or are in the process of being implemented. In addition, there are no matters requiring disclosure to the members pursuant to the Act or Regulations.

As Chair, I would like to acknowledge the performance and dedication of the members of the Audit and Risk Committee. I compliment them for the fine work accomplished during 2018.

*Respectfully submitted by your  
2018 Audit & Risk Committee,*

*David Jastrubecki (Chair),  
Steve Gandour, Kirbi Simpson,  
David Tsang and Chris Walsh*

Looking for some  
truly local financial  
advice? **Visit**  
**[trulylocaladvice.ca](http://trulylocaladvice.ca)**



# 2018

## Meeting Attendance

### Member & Community Relations Committee

Name	M and CR Committee Meetings Attended in 2018	Honorarium Received in 2018	Place of Residence
Cliff Priest, <i>Chair</i>	5/5	\$450	St. Catharines
Evan Acs	4/5	\$495	St. Catharines
Joanna Amodeo	4/5	\$575	Virgil
Mike Cowan	4/5	\$575	Dunnville
Kathy Hunermund	5/5	\$460	Vineland
Jada Nicklefork	4/5	\$345	Thorold

### Member & Community Relations Committee:

- Total honorarium for 2018..... \$2,900
- C. Priest ( Chair of Member & Community Relations Committee)

### Board of Directors:

- Total honorarium..... \$66,900
- Total expenses including education, conferences & other related items..... \$56,004
- Total board expenses ..... \$122,904

# Board of Directors

- In 2018, there were 3 additional board meetings
- D. Chamberlain (Chair of Governance & Human Resources Committee)
- D. Jastrubecki (Chair of Audit and Risk Committee)

Name	Board Meetings Attended in 2018	Committee Meetings Attended in 2018 (incl. Audit & Risk, Governance & HR and M&CR committees)	Honorarium Received in 2018	Place of Residence
N. Reg Sonnenberg, <i>Chair</i>	9/9	6/6	\$6,900	Niagara Falls
Dave Jastrubecki, <i>Vice Chair</i>	8/9	5/6	\$7,275	St. Catharines
Evan Acs	8/9	6/6	\$3,250	St. Catharines
Dave Chamberlain	9/9	6/6	\$6,025	St. Catharines
Steve Gandour	9/9	4/6	\$6,025	Dunnville
Diane Nieuwesteeg	9/9	6/6	\$5,650	Niagara Falls
Kirbi Simpson	8/9	5/7	\$5,625	Wainfleet
Rick Tabaka	8/9	6/6	\$5,650	Niagara Falls
David Tsang	8/9	6/6	\$6,025	Welland
Chris Walsh	8/9	4/6	\$5,650	Niagara Falls
Bernie Villamil ( <i>Resigned</i> )	5/6	3/3	\$5,425	Niagara Falls
Frank Perugino, ( <i>Term Expired April 2019</i> )	2/3	0/1	\$3,400	Niagara Falls

# 2018 Summarized Financial Statements

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**KPMG LLP**  
Commerce Place  
21 King Street West, Suite 700  
Hamilton ON L8P 4W7  
Canada

**Tel:** 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, 2018
- 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 and 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, 2018 (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 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 the auditors' report thereon.

The summary financial statements and the 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 27, 2019:

- We expressed an unqualified opinion on the audited financial statements.
- We included an Other Matter paragraph referring to the report of the predecessor auditor for the information presented for the year ended December 31, 2017.

- We included an Emphasis of Matter paragraph referring to an adjustment of the comparative information presented for the year ended December 31, 2017. Certain comparative information within “Members shares” as described in note 25 of the audited financial statements was adjusted for presentation for the year ended December 31, 2017.

### **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.

### **Other Matter – Comparative Information**

The summary financial statements for the year ended December 31, 2017, were reported on by another auditor who expressed an unmodified opinion on those summary financial statements on February 22, 2018. Such auditors also audited the financial statements of PenFinancial Credit Union Limited for the year ended December 31, 2017 and expressed an unmodified opinion on those audited financial statements on February 22, 2018.

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 single horizontal line.

Chartered Professional Accountants, Licensed Public Accountants  
Hamilton, Ontario  
February 27, 2019



# Summarized Statement of Financial Position

As at December 31, 2018, with comparative information for 2017

	2018	2017
	\$	\$
<b>Current Assets</b>		
Cash	6,339,512	3,012,416
Investments	44,013,598	44,098,036
Loans to members	573,430,068	521,577,047
Other Assets	605,515	683,519
Investment in joint venture	78,570	77,487
Property and equipment	10,995,555	9,451,262
Intangible Assets	286,401	355,838
	<b>635,749,219</b>	<b>579,255,605</b>
<b>Liabilities</b>		
Deposits from Members	511,716,371	466,443,217
Borrowings	—	18,500,000
Other liabilities	1,386,926	7,891,782
Mortgage securitization liabilities	78,680,321	43,135,862
Current income tax liability	49,794	145,585
Deferred income tax liability	77,127	147,952
Membership shares	222,595	224,762
	<b>501,359,797</b>	<b>536,489,160</b>
<b>Members' Equity</b>		
Class B special shares	23,570,415	23,167,988
Retained Earnings	20,045,670	19,334,732
Accumulated other comprehensive income	—	263,725
	<b>43,616,085</b>	<b>42,766,445</b>
<b>Total</b>	<b>635,749,219</b>	<b>579,255,605</b>

# Summarized Statement of Comprehensive Income

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

	2018	2017
	\$	\$
Interest income	20,747,927	18,048,131
Investment income	1,050,242	1,334,638
	<b>21,798,169</b>	<b>19,382,769</b>
Interest expense	7,096,363	6,078,218
Other interest expense	1,718,072	843,485
	<b>8,814,435</b>	<b>6,921,703</b>
Net interest income	12,983,734	12,461,066
Provision for impaired loans	(301,710)	(341,589)
Net interest margin	<b>12,682,024</b>	<b>12,119,477</b>
Net (loss) gain from other financial instruments carried at fair value through profit or loss	(72,028)	4,006
Loss on sale of property and equipment	(17,385)	(24,298)
Other income	2,897,988	2,671,834
Total operating income	<b>15,490,599</b>	<b>14,771,019</b>
Deposit insurance premium	388,950	344,422
General and administrative	4,232,465	3,968,681
Occupancy	1,745,579	1,466,878
Personnel expenses	7,197,636	7,206,826
Total operating income	<b>13,564,630</b>	<b>12,986,807</b>
Amalgamation expenses	—	10,341
Income before income taxes	1,925,969	1,773,871
Income tax expense	322,155	231,206
Net income	<b>1,603,814</b>	<b>1,542,665</b>
Other comprehensive (loss) income, net of income taxes	(263,725)	(533,508)
Total comprehensive income	<b>1,340,089</b>	<b>1,009,157</b>

# Summarized Statement of Changes in Members' Equity

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

	Class B Special Shares	Retained Earnings	Accumulated Other Comprehensive Income	Total
	\$	\$	\$	\$
As at January 1, 2017	17,565,602	18,393,772	797,233	36,756,607
Total comprehensive income (loss)	–	1,542,665	(533,508)	1,009,157
Total dividends declared on Class B special shares	–	(601,705)	–	(601,705)
Dividends reinvested in Class B special shares	589,216	–	–	589,216
Net shares issued	5,013,170	–	–	5,013,170
As at December 31, 2017	23,167,988	19,334,732	263,725	42,766,445
Cumulative effect of adopting IFRS 9	–	(121,434)	–	(121,434)
Restated balance as at January 1, 2018	23,167,988	19,213,298	263,725	42,645,011
Total comprehensive income	–	1,603,814	(263,725)	1,340,089
Total dividends declared on Class B special shares	–	(771,442)	–	(771,442)
Dividends reinvested in Class B special shares	592,525	–	–	592,525
Net shares redeemed	(190,098)	–	–	(190,098)
As at December 31, 2018	23,570,415	20,045,670	–	43,616,085

# Summarized Statement of Cash Flows

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

	2018	2017
	\$	\$
<b>Cash Provided By (Used In):</b>		
<b>Operations</b>		
Net Income	1,603,814	1,542,665
<b>Items not involving cash:</b>		
Provision for impaired loans	301,710	341,589
Interest income	(20,747,927)	(18,048,131)
Interest expense	7,096,363	6,078,218
Depreciation and amortization	1,015,050	856,214
Net loss (gain) from other financial instruments carried at fair value through profit or loss	72,028	(4,006)
Loss on sale of property and equipment	17,385	24,298
Income tax expense	322,155	231,206
	<b>(10,319,422)</b>	<b>(8,977,947)</b>
<b>Change in operating assets/liabilities</b>		
Change in loans to members	(52,123,659)	(58,827,411)
Change in deposits from members	44,355,413	8,407,551
Change in other assets and liabilities	(6,426,852)	6,050,758
	<b>(24,514,520)</b>	<b>(53,347,049)</b>
Interest received	20,565,921	18,074,241
Interest paid	(6,178,622)	(6,226,422)
Income tax paid	(459,271)	(283,636)
	<b>(10,586,492)</b>	<b>(41,782,866)</b>
<b>Investing</b>		
Net change in investments	(252,398)	(2,503,629)
Purchase of intangible assets	(144,887)	(96,031)
Purchase of property and equipment	(2,362,404)	(1,660,152)
Proceeds on sale of property and equipment	—	223,676
	<b>(2,759,689)</b>	<b>(4,036,136)</b>

<b>Financing</b>		
Proceeds from securitization of mortgages	48,923,405	18,807,982
Repayment of mortgage securitization liabilities	(13,378,946)	(14,820,923)
Redemption of membership shares (net)	(2,167)	(58,679)
Issuance of Class B special shares	592,525	5,582,182
Redemption of Class B special shares	(190,098)	—
Dividends on Class B special shares	(771,442)	(601,705)
Proceeds received on borrowings	—	18,500,000
Repayment of Borrowings	(18,500,000)	—
	<b>16,673,277</b>	<b>27,408,857</b>
<b>Increase (decrease) in cash</b>	<b>3,327,096</b>	<b>(18,410,145)</b>
Cash, beginning of year	3,012,416	21,422,561
Cash, end of year	<b>6,339,512</b>	<b>3,012,416</b>

**Note 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, 2018 and for the year than 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:

- the summary financial statement include a statement for each statement included in the audited financial statements;
- information in the summary financial statements agrees with the related information in the audited financial statements;
- major subtotals, totals and comparative information from the audited financial statements are included; and
- 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

This image shows a full page of blank white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page, typical of notebook or legal stationery. There are no margins, text, or other markings present.







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Credit Union

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