



WE ARE ON A MISSION  
TO ENSURE MEMBERS  
OF RAPPORT CREDIT  
UNION ARE FINANCIALLY  
PREPARED FOR THEIR  
FUTURE.

### **OUR VISION**

Achieve healthy sustainable financial futures, together.

### **OUR MISSION**

We are advocates for our members, providing exceptional personalized service through authentic conversations strengthening financial capability and health.

# OUR VALUES



**COMPETENCE.** We are committed to using our knowledge and skills to service our members effectively and efficiently. We ensure all Rapporians have the right training and expertise.

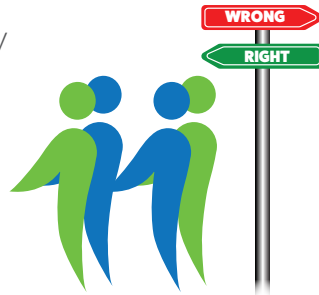


**COMPASSION.** We care. We respond with warmth and authenticity to get the right outcomes and solutions.

**ACCOUNTABILITY.** We are responsible and answerable in all decisions made, advice given and conversations had. No matter the outcome.



**INTEGRITY.** We live by internal moral and ethical principles. We are open and honest with our members and build trusting relationships.



**CURIOSITY.** We desire to learn or know more about something or someone. We use our curiosity to generate open and authentic conversations with our members and each other.



**RESPECT.** We value others. We are polite and show genuine care, concern, and consideration for everyone's needs and feelings.

**COLLABORATION.** We do great things together.



# MESSAGE FROM THE BOARD CHAIR & CEO



Our Vision and Mission statements drive the strategic direction of Rapport. As your Board of Directors and CEO, it is our responsibility to ensure the strategic direction is clear and we have the right initiatives to consistently move forward.

## *Vision*

*Achieve healthy sustainable financial futures, together.*

The strength of any great vision is that it can be measured. Without that, it is not possible to know that we are moving forward. In 2019 we embarked on a journey to determine how Rapport would measure our vision. We knew the measurement had to be member, community and financially centric.

The journey took us to financial wellness. Why? Research tells us that Canadians are not as financially healthy as they should be. Indeed, 35% of Ontarians struggle to or don't keep up with monthly bills, and only 20% of Canadians are very confident they can maintain their lifestyle post-retirement. Paying attention to any form of wellness means that we first need to understand what wellness looks like and then we need to work on improving it. Paying attention to our members' financial wellness has been at the core of Rapport since our beginning.

***Live Life on Your Own Terms*** and ***Be True to Your Money*** are more than just tag lines, they underscore Rapport's way of asking how our members want to live their lives and how in building a rapport, we can help them achieve it.

At Rapport financial wellness consists of two interlocking parts: financial capability and financial health.

### Financial Capability

Being financially capable means actively making good money management decisions. It is a combination of our knowledge, skills, and attitudes towards money, and our sense of control over both big financial decisions and smaller everyday decisions.

### Financial Health

Financial health measures how we are doing in meeting our financial needs and obligations. Basically, it measures our financial state at any point of time.

# MESSAGE FROM THE BOARD CHAIR & CEO



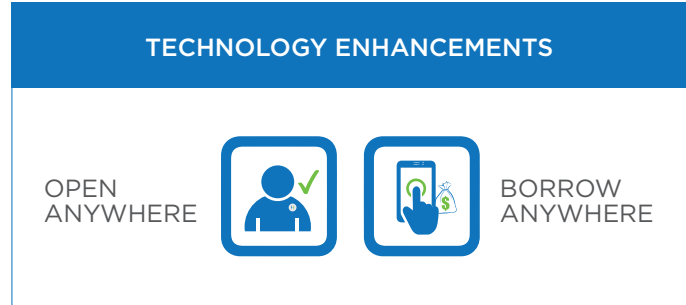
## Financial wellness is a journey, not a destination.

When setting the strategic direction of Rapport, we look at our business through four different perspectives:



In 2019, our resources were focused on improving technology so that we could improve performance in each of the other perspectives.

We successfully launched Open Anywhere In-Branch and Open Anywhere Digital in the spring. This technology improved the account opening experience for new members and allowed our employees more time to engage with our members to better understand their financial wellness. Fast is not fast enough in the digital age and by offering Open Anywhere we have made it easier for Rapport's membership to grow.



We also have been using a significant amount of resources on launching Borrow Anywhere. What Open Anywhere did to transform our account opening experience, Borrow Anywhere will transform the lending experience for both members and employees. The efficiency itself will provide time for employees and members to engage in conversations about their financial wellness. We are very excited about these positive impacts for our members, employees, and the competitive position of Rapport.

In October, we relocated our Kingston Branch. The Kingston location is the first fully branded Rapport branch. It is a warm and inviting space for members to talk about their money. The success of the Kingston branch relocation and our ability to continue to grow and improve the financial wellness of the Kingston community will be the foundation to develop a roadmap of future Rapport branches.

# MESSAGE FROM THE BOARD CHAIR & CEO



## 2020

As we move through 2020 and onwards, we will continue to improve technology while strengthening your financial wellness and Rapport's.

We will launch Borrow Anywhere In-Branch in April this year and Borrow Anywhere Digital in June. Technology remains a priority for Rapport in 2020 and beyond. We need to offer competitive options such as Mobile Wallet to attract a younger generation who use their phones as a way to pay and small business banking solutions and services, including an improved online banking option to support entrepreneurs in our communities.

Rapport has everything in place to become the financial institution of choice for Ontarians, because at the heart of Rapport is our passionate group of employees, our financial advocates, who serve our members and are dedicated to improving their financial wellness. We have and are responding to members and non-members' need to be connected - to be seen, valued and heard as more than a means to an end. This is what sets us apart from the competition.

Our competitive advantage and our focus on technology are well-aligned with the Board and management's priorities on membership growth and operating efficiency. 2020 is the start of a new decade and Rapport is in an excellent strategic position to meet the continued challenges of our industry while making a difference for you, our member.

Because at Rapport, we take the financial wellness of our member's seriously.



Rox-Anne Moore  
Board Chair



Kim Leak  
CEO



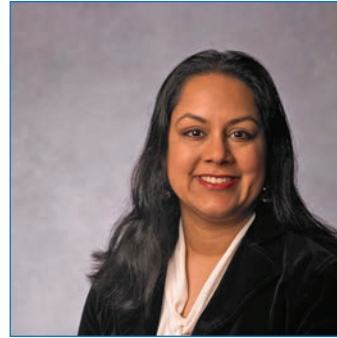
# BOARD OF DIRECTORS



**Rox-Anne Moore**



**Sandy Henderson**



**Alia Ahmed**  
(resigned Apr. 2019)



**Pinoo Bindhani**  
(resigned Oct. 2019)



**Gary Brown**



**Stuart Campbell**



**Steven Carrasco**



**Murray Lindo**



**John Martin**  
(resigned Sept. 2019)



**Michael Parzei**



**Carey Scheppner**



**Cathy Woodbeck**

# FINANCIAL REPORT



In 2019, Rapport undertook several significant strategic initiatives to achieve our goal of growing Rapport and improving our overall member experience. Improvements in efficiency, consolidation of vital resources and the expansion of our footprint in local communities were necessary to achieve this, along with a significant investment in internal resources and capital costs for enhanced branch locations.

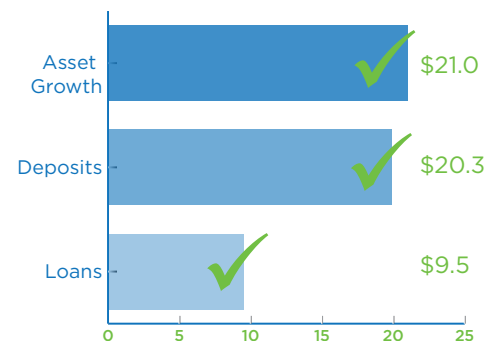
Going into 2019, growth plans were built around an increasing interest rate environment. This did not materialize and in fact, rates decreased to levels not seen in many years. Consequently, Rapport experienced a scenario where higher paying deposits raised in the early part of the year were used to fund lower interest priced loans in the last half of the year and the cost to raise \$1 dollar of loan income in 2019 increased by 62%. This resulted in a significant decline in net interest income of \$425 thousand that was offset through an improvement in year over year impaired loan charges of \$125 thousand and an increase in other operating income of \$385 thousand.

Reduction in net income was also related to the downward pressures caused by having higher deposit costs funding lower yielding mortgages. While we were able to generate an overall increase in operating income of \$85 thousand, it was not enough to offset our increase in operating expenses of \$475 thousand, of which \$150 thousand were one-time expenses.

Despite these challenges, Rapport had an overall asset growth of \$21 million or 7.8%. 2019 was the first year in our history that we focused on raising deposits. The member response exceeded expectations and deposits increased \$20.3 million. Loans, that are the primary driver of our revenue, increased by \$9.5 million or 4.2%. The positive outlook is that Rapport is both well funded and well positioned entering the lending season of 2020.

## RAPPORT GROWTH - 2019 vs. 2018

(in millions of dollars CDN)





# FINANCIAL REPORT



On January 1, 2019, the Credit Union was required to adopt IFRS 16 Leases. The new accounting standard was established to increase transparency associated with these long-term off balance financial commitments. This new standard significantly changed how Rapport accounts for its operating leases. Prior to this standard, Rapport expensed monthly lease costs with no further impact on the balance sheet. The new standard requires us to capitalize, as an asset, the expected future lease commitments with an associated liability.

At the end of 2019, a new right of use asset was established for \$594 thousand and a new lease liability of \$647 thousand. The impact of this new standard also resulted in an additional \$14 thousand in costs, the difference being primarily related to the lease expense from prior accounting standards and the current amortization of the right of use asset.

As we look forward, we remain committed to ensuring that our members' financial wellness is at the core of every decision we make. We will continue to provide solutions to our members that improve their financial health and conversations to help them improve their financial capability. We are confident that what sets us apart will attract new members and improve the financial lives of our existing members.

Our commitment to this basic principle means Rapport's long-term success is a direct result of our members' success.



Ryan Lim  
CFO

# REPORT OF THE AUDIT & OPERATIONAL RISK COMMITTEE



The Audit and Operational Risk Committee of Rapport Credit Union Limited is a committee of the Board of Directors pursuant to section 125 of the Credit Unions and Caisses Populaires Act, 1994. The committee, which consists of four directors, has adopted a mandate, which covers all the duties that are specified in the Regulations and Act.

The committee met eight times during 2019 to complete its responsibilities that included the following oversight responsibilities:

- Financial reporting and disclosure;
- External audit function;
- Internal audit function;
- Risk management and control environment; and
- Compliance.

Specifics of the activities performed by the committee included:

- Reviewed the policies used by management that related to regulatory compliance which focuses on Capital, Liquidity Management and Interest Rate Risk;
- Reviewed the result of the external audit services provided by Deloitte LLP;
- Confirmed that for the year ended December 31, 2019 there were no material findings outstanding;
- Received and reviewed quarterly Enterprise Risk Management reports;
- Received and reviewed quarterly Fraud Reports and Anti-Money Laundering Reports; and
- Continue to monitor related updates from the FSRA (DICO) Examination Report.

It is the opinion of the committee that Rapport has met all their requirements and there are no matters that the committee feels merit further disclosure to the membership. At all times the committee has had full access to the Board of Directors, management and staff and regular contact has been maintained with the internal and external auditors.

The committee also considers, for review by the Board and approval of the members, the engagement or re-appointment of the external auditors. As a result of a formal procurement for external audit services, the Audit and Operational Risk Committee recommends the appointment of MNP LLP as external auditors for the year 2020.



M. Lindo  
Chair, Audit & Operational  
Risk Committee

## MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL REPORT

The summarized financial statements and the complete financial statements of Rapport Credit Union Limited and all the information in this Annual Report are the responsibility of Management and have been approved by the Board of Directors. All financial and operating data included in this Annual Report are consistent with the financial statements.

Management has prepared the financial statements in accordance with International Financial Reporting Standards (IFRS). When alternative accounting methods exist, Management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the Annual Report and has ensured that it is consistent with that in the financial statements.

The Audit and Operational Risk Committee meets regularly with management, as well as the internal and external auditors, to discuss internal controls over the financial reporting process, auditing matters, financial reporting issues and to review the financial statements and the external auditor's report. The Committee reports its findings to the Board for consideration when approving the complete financial statements for issuance to the members. In addition, this Committee recommends the appointment of external auditors.

Independent external auditors, appointed by the members, audit our financial statements in accordance with Canadian generally accepted auditing standards. The auditors have free and independent access to the Audit and Operational Risk Committee and meet with the Committee and with Management to discuss their audit and related findings.

Kim Leak  
CEO

Ryan Lim  
CFO

# REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARIZED FINANCIAL STATEMENTS

To the Members of Rapport Credit Union Limited

## **Opinion**

The summary financial statements, which comprise the summary statement of financial position as at December 31, 2019, and the summary statement of income and comprehensive income, the summary statement of changes in members' equity, and cash flows for the year then ended, and related notes, are derived from the audited financial statements of Rapport Credit Union Limited (the "Credit Union") for the year ended December 31, 2019.

In our opinion, the accompanying summarized financial statements are a fair summary of the audited financial statements in accordance with International Financial Reporting Standards ("IFRS").

## **Summarized Financial Statements**

The summary financial statements do not contain all the disclosures required by IFRS. Reading the summary financial statements and the auditor's report thereon, therefore, is no a substitute for reading the Credit Union's audited financial statements and the auditor's report thereon.

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

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

We expressed an unmodified audit opinion on the audited financial statements in our report dated March 10, 2020.

## **Management's Responsibility for the Summarized Financial Statements**

Management is responsible for the preparation of the summarized financial statements in accordance with IFRS.

## **Auditor's Responsibility**

Our responsibility is to express an opinion on whether the summarized financial statements are a fair summary of the audited financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, *Engagements to Report on Summary Financial Statements*.

The signature of Deloitte LLP is written in a cursive, handwritten style.

Chartered Professional Accountants  
Licensed Public Accountants  
March 10, 2020

# SUMMARIZED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

FOR THE YEARS ENDED  
DECEMBER 31, 2019 AND  
DECEMBER 31, 2018

	2019	2018
	\$	\$
(CDN dollars in thousands)		
INTEREST INCOME .....	9,028	8,229
INVESTMENT INCOME .....	839	525
<b>TOTAL INCOME</b> .....	<b>9,867</b>	<b>8,754</b>
INTEREST EXPENSE .....	3,378	1,841
<b>NET INTEREST INCOME</b> .....	<b>6,489</b>	<b>6,913</b>
(RECOVERY) PROVISION FOR IMPAIRED LOANS .....	(61)	63
<b>NET INTEREST MARGIN</b> .....	<b>6,550</b>	<b>6,850</b>
OTHER OPERATING INCOME .....	3,398	3,011
<b>TOTAL OPERATING INCOME</b> .....	<b>9,948</b>	<b>9,861</b>
DEPOSIT INSURANCE PREMIUM .....	275	245
DEPRECIATION .....	557	536
DEPRECIATION OF RIGHT OF USE ASSET .....	261	-
GENERAL AND ADMINISTRATIVE .....	2,269	2,171
MARKETING .....	524	441
OCCUPANCY .....	563	795
PERSONNEL EXPENSES .....	5,455	5,242
<b>TOTAL OPERATING EXPENSES</b> .....	<b>9,904</b>	<b>9,430</b>
INCOME BEFORE INCOME TAXES .....	44	431
INCOME TAX EXPENSE (RECOVERY) .....	13	(341)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b> .....	<b>31</b>	<b>772</b>

## SUMMARIZED STATEMENT OF CHANGES IN MEMBERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2019

	MEMBERSHIP SHARES	CLASS B SHARES - PATRONAGE	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME	TOTAL
(CDN dollars in thousands)	\$	\$	\$	\$	\$
<b>AS AT JANUARY 1, 2018</b> .....	975	1,525	21,351	(34)	23,817
TRANSITIONAL ADJUSTMENTS	-	-	(25)	34	9
TOTAL COMPREHENSIVE INCOME	-	-	772	-	772
SHARES RECLASSIFIED FROM LIABILITIES	-	11	-	-	11
ISSUANCE OF SHARES	42	-	-	-	42
REDEEMED SHARES	(65)	(111)	-	-	(176)
<b>AS AT DECEMBER 31, 2018</b> .....	952	1,425	22,098	-	24,475
TOTAL COMPREHENSIVE INCOME	-	-	31	-	31
SHARES RECLASSIFIED FROM LIABILITIES	-	15	-	-	15
ISSUANCE OF SHARES	29	-	-	-	29
REDEEMED SHARES	(98)	(152)	-	-	(250)
<b>AS AT DECEMBER 31, 2019</b> .....	883	1,288	22,129	-	24,300



# SUMMARIZED STATEMENT OF FINANCIAL POSITION

FOR THE YEARS ENDED  
DECEMBER 31, 2019 AND  
DECEMBER 31, 2018

(CDN dollars in thousands)

	2019 \$	2018 \$
<b>ASSETS</b>		
CASH AND CASH EQUIVALENTS .....	24,700	15,375
INVESTMENTS .....	19,538	18,305
LOANS TO MEMBERS .....	235,289	225,796
DERIVATIVE FINANCIAL INSTRUMENTS .....	52	33
PROPERTY AND EQUIPMENT .....	13,452	13,879
RIGHT OF USE ASSET .....	594	-
CURRENT INCOME TAXES RECEIVABLE .....	10	18
OTHER ASSETS .....	1,489	476
<b>TOTAL ASSETS</b> .....	<b>295,124</b>	<b>273,882</b>
<b>LIABILITIES</b>		
DEPOSITS FROM MEMBERS .....	267,629	246,709
ACCOUNTS PAYABLES AND ACCRUED LIABILITIES .....	557	704
CO-OP DEPOSIT .....	776	796
DERIVATIVE FINANCIAL INSTRUMENTS .....	52	33
DEFERRED INCOME TAX LIABILITIES .....	1,020	1,007
CLASS B SHARES - PATRONAGE .....	143	158
LEASE LIABILITY .....	647	-
<b>TOTAL LIABILITIES</b> .....	<b>270,824</b>	<b>249,407</b>
<b>MEMBERS' EQUITY</b>		
MEMBERSHIP SHARES .....	883	952
CLASS B SHARES - PATRONAGE .....	1,288	1,425
RETAINED EARNINGS .....	22,129	22,098
<b>TOTAL MEMBERS' EQUITY</b> .....	<b>24,300</b>	<b>24,475</b>
<b>TOTAL LIABILITIES &amp; MEMBERS' EQUITY</b> .....	<b>295,124</b>	<b>273,882</b>

# SUMMARIZED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED  
DECEMBER 31, 2019 AND  
DECEMBER 31, 2018

(CDN dollars in thousands)

## OPERATING ACTIVITIES

	2019 \$	2018 \$
NET INCOME .....	31	772
ADJUSTMENTS FOR:		
(RECOVERY) PROVISION FOR IMPAIRED LOANS .....	(61)	63
INTEREST INCOME .....	(9,028)	(8,229)
INTEREST EXPENSE .....	3,378	1,841
DEPRECIATION .....	557	536
DEPRECIATION OF RIGHT OF USE ASSET .....	261	-
AMORTIZATION OF CO-OP DEPOSIT .....	(20)	(19)
INCOME TAX EXPENSE (RECOVERY) .....	13	(341)
	<b>(4,869)</b>	<b>(5,377)</b>
CHANGES IN OPERATING ASSETS / LIABILITIES		
CHANGE IN LOANS TO MEMBERS .....	(9,416)	(24,894)
CHANGE IN DEPOSITS FROM MEMBERS .....	20,088	14,503
CHANGE IN OTHER ASSETS .....	(1,013)	(126)
CHANGE IN ACCOUNTS PAYABLE AND ACCRUED LIABILITIES .....	(147)	208
<b>CASH USED FROM OPERATING ACTIVITIES BEFORE INTEREST &amp; TAXES</b> .....	<b>4,643</b>	<b>(15,686)</b>
INTEREST RECEIVED ON LOANS .....	9,012	8,183
INTEREST PAID .....	(2,546)	(1,538)
INCOME TAX RECEIVED .....	32	11
INCOME TAX PAID .....	(24)	(18)
	<b>11,117</b>	<b>(9,048)</b>
<b>INVESTING ACTIVITIES</b> .....	<b>(1,363)</b>	<b>13,345</b>
<b>FINANCING ACTIVITIES</b> .....	<b>(429)</b>	<b>(134)</b>
NET CHANGE IN CASH AND CASH EQUIVALENTS .....	<b>9,325</b>	<b>4,163</b>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR .....	<b>15,375</b>	<b>11,212</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b> .....	<b>24,700</b>	<b>15,375</b>



## RAPPORT CREDIT UNION LIMITED

18 Grenville Street Suite 1 **Toronto**  
The Golf Links Center 7-1100 Golf Links Road **Hamilton**  
43 Clergue Street **Kakabeka Falls**  
725 Gardiners Road **Kingston**  
815 King Street **Midland**  
945 Stockdale Road **North Bay**  
Michael Starr Building 33 King Street W. **Oshawa**  
441 Water Street **Peterborough**  
1072 Oliver Road, Unit 2 **Thunder Bay**  
405 James Street South **Thunder Bay**  
100 Stokes Street **Toronto**

*Be true to your money.*