

# 2020

## ANNUAL REPORT

ON A MISSION TO ENSURE MEMBERS 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.



To say that the events of 2020 were unexpected and took many off guard would be an understatement. As a Board of Directors and CEO, we started off the year with strategic and business plans in place, technology projects on the go and a focus on membership growth and operating efficiency.

In mid-March our worlds changed and lockdowns were put in place. We were living through a historic moment in time, and no one could predict how the rest of the year, much less the future would unfold.

While we looked at ways to move through 2020, our main motivation was to stay true to our commitment to remain advocates for both our members and employees while continuing to improve their financial wellness.

## DID YOU KNOW?

Rapport helped 33 small businesses with CEBA loans.

We stayed the path with our strategic technology projects while adjustments were made to our annual business plan. The Board worked closely with the CEO and the executive team to ensure both the safety of our employees and members while following public health guidelines in each of our communities. Financial changes were also approved that would safeguard the overall health of Rapport in the long term.

With our business partners at Central 1 we were able to introduce the Canada Emergency Business Account “CEBA” loans to our small business members. Throughout the early stages of COVID our Member Assistance Call Centre supported our members as they transitioned from in person to online banking. During the early stages of COVID when members required assurance, we were able to maintain our response times and members were not placed on hold for extended periods of time. Plans to replace our Member Assistance phone system to improve our member experience were completed in Q4 2020.

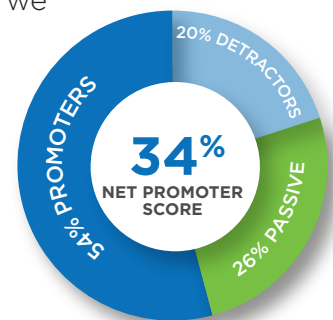
Where it was safe to do so, our branch network also stayed open with shorter hours so we could provide the essential services that required in person interactions. Our digital banking capabilities also ensured that new members were able to join through our online account opening system. Our branch staff, when not meeting with members, were able to provide support to the Member Assistance Call Centre and provide outreach to our members.



In late Fall, we conducted our annual Member Survey to gain an understanding of how we were doing as an organization operating amidst a pandemic. The support we provided our members was reflected in the results.

On overall satisfaction, 85% of members told us they were satisfied or very satisfied with Rapport. Our Net Promoter Score increased 7% over last year to 34% meaning more and more members would recommend Rapport to their family and friends. Many of our survey measurements tell us that while we are doing well there is still room for improvement. We will continue to strive to exceed our members' expectations as a financial institution.

Throughout this past year, your Board of Directors remained committed to setting strategic direction and oversight, collaborating amongst three subcommittees that met regularly throughout the year. Those committees were: Governance, Ethics and Human Resources, Audit and Operational Risk and the Nominating Committee. Throughout 2020, Board Committees met 23 times and the full Board of Directors held 7 meetings.



## 2021

As we enter 2021, the Board and management recognizes that we are living a new normal, pivoting to new ways of doing business as the pandemic continues in our local communities, across our country and around the world. We now meet with members virtually and rely on digital channels more and more to communicate. As we move forward we will continue to envision ways to enhance our member's Rapport experience and improve their financial wellness.

Improving technology is a key strategic objective with tremendous impact throughout the entire organization. We're continuously investing in technology to meet the needs of both current and future members. This year, small business members will benefit when we launch Member Direct Small Business online banking specifically designed for their unique needs. We're excited to launch a new digital account called Evolution that will allow us to attract younger members and provide current members who perform all their transactions online, or through their mobile app, a new product. Digital payment options such as Interac Online and Mobile Wallet will be developed in 2021.

Throughout everything we've all been through in the last year, we must take the time to acknowledge and thank our employees - Rapporians as we like to refer to them - for tirelessly working each and every day. Whether remotely or coming into our branches and offices our employees never wavered in their commitment to our members or each other.



Rox-Anne Moore  
Board Chair



Kim Leak  
CEO

As we move toward 2022 and onwards, Rapport will continue to be in an excellent strategic position to meet the continued challenges of our industry while making a difference for you, our members.

# BOARD OF DIRECTORS

2020  
ANNUAL REPORT



Rox-Anne Moore



Gary Brown



Stuart Campbell



Steven Carrasco



Jason Glover



Murray Lindo



Michael Parzei



Carey Scheppner



Carol Thames



Evan Vella

On March 11th, 2020, the World Health Organization declared COVID outbreak a pandemic and shortly thereafter states of emergency were declared across Canada that shut down non-essential businesses and activities. This prompted the federal government to announce millions in financial aid to support Canadians through this uncertain time.

The Bank of Canada dropped its overnight rate by 150 basis points in less than a month and introduced a range of liquidity facilities to keep markets functioning and credit flowing. Much like every other business, we had no advance warning and these changes had an instant and profound impact on the way we operated.

The combination of a lower rate environment, reduced branch hours, the adjustment to a remote work force and the delay of several projects ultimately impacted our overall profitability. Expected new loan sales were reduced by 35% and expected losses from unpaid loans were increased 350%.

Rapport entered 2020 in a strong liquid position, however reduced lending and investment income caused by the fallout of COVID resulted in the need to re-project performance for 2020. Management worked closely with the Board of Directors to establish a revised operating plan that while not adversely impacting services or products to our members, would contain costs to both minimize the projected loss in 2020 and ensure long term financial success.

A number of difficult decisions impacting our people, projects and overall operations had to occur to ensure that we would come out of the pandemic financially stronger. It is because of these efforts we were able to hold the loss to \$150k.

During 2020 our balance sheet continued to grow by 5.1% to \$311MM with our loan portfolio growing by \$11MM or 4.6%.

Although much uncertainty existed in the workforce with all non-essential businesses closing for prolonged periods of time, Rapport has benefited from a strong membership support base that grew our deposits by \$16MM or 6.0%. With negative income coupled with our annual asset growth, downward pressure on our capital ratio occurred decreasing it to 5.11% (2019 - 5.45%). A higher ratio is desired as it provides more capital to support operations, risks and growth. However, with the onset of COVID, Rapport's strategic plan to strengthen our capital levels was delayed to 2021.

As approved at last year's AGM, we changed our external auditor to MNP LLP. The transition was as smooth and efficient as possible as we both adjusted to COVID imposed social distancing requirements and a remote working environment.

With the impacts of COVID continuing to have an influence on our everyday life, it is now more important than ever to be nimble and have the financial capacity to absorb unpredictable events.

With the financial adjustment and lessons learned from 2020, Rapport is financially much stronger and capable of navigating this new and dynamic landscape with financial excellence expected in 2021.



Ryan Lim  
CFO



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 five directors, has adopted a mandate, which covers all the duties that are specified in the Regulations and Act.

The committee met nine times during 2020 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 MNP LLP;
- Confirmed that for the year ended December 31, 2020 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
- Received and reviewed the FSRA Examination Report and continue to monitor related updates.

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. The Audit and Operational Risk Committee recommends the re-appointment of MNP as external auditors for the current year.



M. Lindo  
Chair, Audit & Operational  
Risk Committee

## MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL REPORT

To the Members of Rapport Credit Union Limited:

The accompanying summary financial statements and the complete financial statements of Rapport Credit Union Limited (collectively, the “financial statements”) are the responsibility of management and have been approved by the Board of Directors.

Management is responsible for the preparation and presentation of the financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting policies and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial statements. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee is also responsible for recommending the appointment of the Credit Union’s external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

March 16, 2021

Kim Leak  
CEO

Ryan Lim  
CFO

# REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY 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, 2020, and the summary statements of comprehensive income, 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, 2020.

In our opinion, the accompanying summary financial statements are a fair summary of the audited financial statements on the basis described in Note 1.

## Summary Financial Statements

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

## The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statement in our report dated March 16, 2021.

## Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements on the basis described in Note 1.

## Auditor's Responsibility

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



MNP  
Chartered Professional Accountants  
Licensed Public Accountants  
Mississauga, Ontario  
March 16, 2021

## Note 1:

Basis of presentation: Management is responsible for the preparation of the summary financial statements. The summary financial statements presented include the summary statement of financial position, summary statement of comprehensive income, changes in members' equity and cash flows they do not include summary of significant accounting policies or notes to the financial statements. The summary statements of financial position, comprehensive income, changes in members' equity and cash flows are presented in the same detail as the audited financial statements except the note referencing has been removed.

# SUMMARIZED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED  
DECEMBER 31, 2020 AND  
DECEMBER 31, 2019

(CDN dollars in thousands)

## INTEREST INCOME

MEMBER LOANS

INVESTMENTS

## INTEREST EXPENSE

MEMBER DEPOSITS

## NET INTEREST INCOME

## PROVISION FOR (RECOVERY OF) LOAN LOSSES

## NET INTEREST INCOME AFTER PROVISION FOR (RECOVERY OF) LOAN LOSSES

## OTHER INCOME

## NET INTEREST AND OTHER INCOME

## OPERATING EXPENSES

DEPOSIT INSURANCE PREMIUM

DEPRECIATION

DEPRECIATION OF RIGHT OF USE ASSET

GENERAL AND ADMINISTRATIVE

MARKETING

OCCUPANCY EXPENSES

PERSONNEL EXPENSES

## (LOSS) INCOME BEFORE INCOME TAXES

## INCOME TAX EXPENSE (RECOVERY)

DEFERRED

## NET (LOSS) INCOME AND COMPREHENSIVE INCOME

	2020 \$	2019 \$
	9,192	9,028
	348	839
	<b>9,540</b>	<b>9,867</b>
	2,888	3,378
	<b>6,652</b>	<b>6,489</b>
	286	(61)
	<b>6,366</b>	<b>6,550</b>
	<b>3,076</b>	<b>3,398</b>
	<b>9,442</b>	<b>9,948</b>
	282	275
	585	557
	181	261
	1,939	2,269
	351	524
	584	563
	5,720	5,455
	<b>9,642</b>	<b>9,904</b>
	<b>(200)</b>	<b>44</b>
	<b>(46)</b>	<b>13</b>
	<b>(154)</b>	<b>31</b>

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

	MEMBERSHIP SHARES	CLASS B SHARES - PATRONAGE	RETAINED EARNINGS	TOTAL
(CDN dollars in thousands)	\$	\$	\$	\$
<b>BALANCE JANUARY 1, 2019</b>	952	1,425	22,098	24,475
NET INCOME	-	-	31	31
SHARES FROM LIABILITIES	-	15	-	15
ISSUED SHARES	29	-	-	29
REDEEMED SHARES	(98)	(152)	-	(250)
<b>BALANCE DECEMBER 31, 2019</b>	883	1,288	22,129	24,300
NET LOSS	-	-	(154)	(154)
SHARES FROM LIABILITIES	-	12	-	12
ISSUED SHARES	14	-	-	14
REDEEMED SHARES	(93)	(121)	-	(214)
<b>AS AT DECEMBER 31, 2020</b>	804	1,179	21,975	23,958

# SUMMARIZED STATEMENT OF FINANCIAL POSITION

FOR THE YEARS ENDED  
DECEMBER 31, 2020 AND  
DECEMBER 31, 2018

(CDN dollars in thousands)

## ASSETS

CASH  
INVESTMENTS  
MEMBER LOANS  
OTHER ASSETS  
INCOME TAXES RECEIVABLE  
RIGHT-OF-USE ASSETS  
PROPERTY AND EQUIPMENT

## TOTAL ASSETS

## LIABILITIES

MEMBER DEPOSITS  
OTHER LIABILITIES  
LEASE LIABILITIES  
DEFERRED INCOME TAX LIABILITIES

## TOTAL LIABILITIES

## MEMBERS' EQUITY

RETAINED EARNINGS  
MEMBERSHIP SHARES  
CLASS B SHARES - PATRONAGE

	2020 \$	2019 \$
	14,169	24,700
	34,819	19,408
	245,805	234,985
	1,347	1,975
	-	10
	498	594
	13,662	13,452
	<b>310,300</b>	295,124
	282,118	266,024
	2,694	3,133
	556	647
	974	1,020
	<b>286,342</b>	270,824
	21,975	22,129
	804	883
	1,179	1,288
	<b>23,958</b>	24,300
	<b>310,300</b>	295,124

# SUMMARIZED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED  
DECEMBER 31, 2020 AND  
DECEMBER 31, 2018

(CDN dollars in thousands)

## CASH PROVIDED BY (USED FOR) THE FOLLOWING ACTIVITIES

### OPERATING ACTIVITIES

NET (LOSS) INCOME FOR THE YEAR

ADJUSTMENTS FOR:

INTEREST REVENUE

INTEREST EXPENSE

DEPRECIATION AND AMORTIZATION

PROVISION FOR INCOME TAXES

NET CHANGE IN OTHER ASSETS

NET CHANGE IN OTHER LIABILITIES

NET CHANGE IN MEMBER LOANS

NET CHANGE IN MEMBER DEPOSITS

INTEREST RECEIVED ON MEMBER LOANS

INTEREST RECEIVED ON INVESTMENTS

INTEREST PAID ON MEMBER DEPOSITS

NET INCOME TAXES RECEIVED

RENT PAID RECORDED AS A REDUCTION TO LEASE LIABILITIES

INTEREST EXPENSE ON LEASE LIABILITIES

### INVESTING ACTIVITIES

PURCHASE OF PROPERTY AND EQUIPMENT

NET CHANGE IN INVESTMENTS

### FINANCING ACTIVITIES

NET CHANGE IN MEMBERSHIP SHARES

**NET CHANGE IN CASH DURING THE YEAR**

**CASH, BEGINNING OF YEAR**

**CASH, END OF YEAR**

**2020**

2019

\$

\$

(154)

31

(9,540)

(9,867)

2,888

3,378

766

818

(46)

13

779

(1,032)

28

(163)

(10,820)

(9,477)

16,094

20,088

9,118

9,012

281

837

(3,355)

(2,546)

-

10

(200)

(234)

24

26

**5,863**

**10,894**

(795)

(130)

(15,411)

(1,233)

**(16,206)**

**(1,363)**

(188)

(206)

**(10,531)**

**9,325**

**24,700**

**15,375**

**14,169**

**24,700**



## RAPPORT CREDIT UNION LIMITED

18 Grenville Street Suite 1 **Toronto**  
The Golf Links Centre 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.*