

Khalsa Credit Union

Summary financial statements
December 31, 2020



Independent auditor's report

To the Members of
Khalsa Credit Union

Opinion

The summary financial statements, which comprise the summary statement of financial position as at December 31, 2020, and the summary statement of income and comprehensive income, summary statement of changes in members' equity and summary statement of cash flows for the year then ended, are derived from the audited financial statements of **Khalsa 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.

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 statements in our report dated March 4, 2021.

Management's responsibility for the summary financial statements

Management is responsible for the preparation of the summary financial statements.

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 Standard 810, *Engagements to Report on Summary Financial Statements*.

Vancouver, Canada
March 4, 2021

Ernst & Young LLP

Chartered Professional Accountants



Khalsa Credit Union

Statement of financial position

As at December 31

	2020	2019
	\$	\$
Assets		
Cash and cash equivalents	49,325,425	13,861,679
Investments	80,340,757	49,095,586
Prepaid expenses	66,024	70,655
Income taxes recoverable	344,870	—
Other assets	3,470,570	6,652,345
Derivative financial asset	105,218	146,201
Member loans	450,780,413	429,845,168
Property and equipment, net	8,889,046	8,418,752
Right-of-use assets, net	167,040	259,596
Investment properties, net	2,232,929	2,284,522
Deferred tax assets	224,191	296,803
	595,946,483	510,931,307
Liabilities and members' equity		
Liabilities		
Accounts payable and accruals	654,331	449,505
Income taxes payable	—	219,949
Lease liability	182,760	270,117
Distribution payable on member shares	100,904	221,109
Derivative financial liability	99,218	140,201
Member deposits	553,015,070	471,021,664
Member shares	225,845	202,096
Total liabilities	554,278,128	472,524,641
Commitments		
Members' equity		
Member shares	4,484,834	4,239,666
Retained earnings	37,183,521	34,167,000
Total members' equity	41,668,355	38,406,666
	595,946,483	510,931,307

Signed on behalf of the Board of Directors by:

Director

Director

Khalsa Credit Union

Statement of income and comprehensive income

Year ended December 31

	2020	2019
	\$	\$
Interest revenue		
Interest on member loans	17,891,508	19,798,607
Other interest revenue	831,885	1,226,915
	<u>18,723,393</u>	<u>21,025,522</u>
Interest and loan related expenses		
Interest on member deposits	7,522,677	7,979,721
Other interest expense	111,190	108,314
Provision for credit losses	(70,845)	333,221
	<u>7,563,022</u>	<u>8,421,256</u>
Financial margin	11,160,371	12,604,266
Other income	1,858,204	1,978,253
	<u>13,018,575</u>	<u>14,582,519</u>
Non-interest and operating expenses		
Consulting	208,405	306,339
Interest on lease liabilities	9,149	12,562
Accretion and amortization on leases	92,556	92,553
Depreciation and amortization	476,539	402,031
Donations	306,896	258,280
Employee salaries and benefits	5,256,017	4,543,741
General operating and administrative	2,621,296	3,035,647
Professional fees	234,305	229,692
	<u>9,205,163</u>	<u>8,880,845</u>
Income before income taxes	3,813,412	5,701,674
Provision for (recovery of) income taxes		
Current	655,756	987,995
Deferred	72,612	(81,650)
	<u>728,368</u>	<u>906,345</u>
Net income for the year	<u>3,085,044</u>	<u>4,795,329</u>

Khalsa Credit Union

Statement of changes in members' equity

	Members'	Retained	Total
	shares	earnings	
	\$	\$	\$
Balance, December 31, 2018	4,052,162	29,571,755	33,623,917
Net income for the year	—	4,795,329	4,795,329
Distributions to members	—	(200,084)	(200,084)
Net issuance of members' shares	187,504	—	187,504
Balance, December 31, 2019	4,239,666	34,167,000	38,406,666
Net income for the year	—	3,085,044	3,085,044
Distributions to members	—	(68,523)	(68,523)
Net issuance of members' shares	245,168	—	245,168
Balance, December 31, 2020	4,484,834	37,183,521	41,668,355

Khalsa Credit Union

Statement of cash flows

Year ended December 31

	2020	2019
	\$	\$
Operating activities		
Net income for the year	3,085,044	4,795,329
Add (deduct) items not involving cash		
Depreciation of property and equipment, intangible asset and investment property	476,539	402,031
Depreciation of right-of-use assets	92,556	92,553
Interest on lease liability	9,149	12,562
Provision for credit losses	(70,845)	333,221
Deferred income taxes	72,612	(81,650)
	<u>3,665,055</u>	<u>5,554,046</u>
Changes in member activities		
Net increase in member loans	(20,864,400)	(37,364,021)
Net increase in member deposits	81,993,406	40,627,755
	<u>61,129,006</u>	<u>3,263,734</u>
Changes in non-cash working capital balances related to operations		
Prepaid expenses	4,630	25,131
Income taxes recoverable	(344,870)	33,794
Other assets	3,181,775	(2,175,570)
Distributions payable on member shares	(120,204)	—
Accounts payable and accruals	204,825	26,405
Member shares [liabilities]	23,749	12,575
Income taxes payable/recoverable	(219,949)	219,949
	<u>2,729,956</u>	<u>(1,857,716)</u>
Cash provided by operating activities	<u>67,524,017</u>	<u>6,960,064</u>
Investing activities		
Net decrease in investments	(31,245,170)	(7,161,474)
Purchases of property and equipment	(895,241)	(486,988)
Cash used in investing activities	<u>(32,140,411)</u>	<u>(7,648,462)</u>
Financing activities		
Payment of lease liabilities	(96,505)	(94,594)
Net increase in equity shares	245,168	187,504
Dividends on Class B membership equity shares	(68,523)	(200,084)
Cash provided by (used in) financing activities	<u>80,140</u>	<u>(107,174)</u>
Net increase (decrease) in cash during the year	<u>35,463,746</u>	<u>(795,572)</u>
Cash and cash equivalents, beginning of year	13,861,679	14,657,251
Cash and cash equivalents, end of year	<u>49,325,425</u>	<u>13,861,679</u>