

**CRESTON & DISTRICT**  
CREDIT UNION

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# ANNUAL REPORT 2023





*Karen White photo*

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# PRESIDENT'S REPORT



On behalf of your Board of Directors, I am happy to report that 2023 was a very successful year for our Creston & District Credit Union, in fact the most successful year in our Credit Union history. I will leave it to our CEO Lawrence to point out the highlights in his report, and the financial details are in the body of this annual report. The success of this past year comes in the midst of the challenging environment of inflation and

rising costs, relatively high interest rates, and continued volatility in the Canadian and world economy and financial markets. Our insurance and financial planning entity, Growth Financial, continued to yield good returns despite some headwinds in the insurance business, adding significantly to our bottom line.

The Board recognizes the vital contribution of our management team and staff in making 2023 a successful year. Keeping the branch fully staffed is a challenge, at times resulting in increased workloads. Management and staff have stepped up to meet the challenge, and on behalf of the Board, we thank you. We have continued to make progress in the first quarter of this year by being fully staffed.

Your Board of Directors takes our oversight responsibilities for our Credit Union seriously. Our responsibilities include:

- defining and approving the Credit Union's risk appetite;
- setting, approving, and monitoring the Credit Union's strategy and performance, and overseeing its planning process; and
- ensuring the Credit Union has the capability and culture to support its risk appetite and achieve its strategy.

## BCFSA - "the Regulator"

The BC Financial Services Authority (BCFSA) regulates credit unions, trust companies, insurance companies, mortgage brokers, and real estate professionals in the province. BCFSA's mission is to promote confidence in British Columbia's financial services sector by providing risk-based and proportional regulation and protecting the public. Your credit union reports to them regularly on our financial performance, risk analysis, quality of investments and loans, and strategic planning.

In January 2024, BCFSA requested all credit unions to prepare a comprehensive and executable strategic plan, addressing five strategic pillars which will help credit unions be relevant, resilient, and sustainable. Your Board and CEO are working hard to show the Regulator when we meet in June that we have a strategic plan in place to answer their questions and concerns.

We are in a unique situation in Creston with a small, single branch credit union that continues to perform very well despite the challenges in the industry and the economy. We are successful because of you and the value and confidence you place in us. It is our privilege to continue to provide you with that unique value proposition. It is all about you. I want to thank you for your continued support in making us your preferred financial institution in these challenging times.

**Don Low**

# CEO'S REPORT



On behalf of management and staff, I am pleased to report our operating results for the year ending December 31, 2023. The general economic focus of 2023 was interest rates and inflation. Interest rates rose in 2022 and the first quarter of 2023 and then stabilized for the remainder of the year as inflation remained sticky at higher levels than we were all accustomed to. As a result, interest rates stayed higher for longer. Fortunately, the economy was resilient, and labour remained

steady. Our credit union was well positioned for this environment, and 2023 was one of our best years for net earnings.

Asset growth compared to the prior year was flat and deposit growth was down 1.27% for the year, but net earnings grew 36.4%. The balance sheet remains strong with good liquidity and a stable capital position. Retained earnings increased 8.34% in 2023. Strong earnings supported the Board's decision to return \$543,982 to members in patronage and dividends. Cost pressures remained high in 2023, with operating expenses rising 18.5%. Fortunately, financial margin rose 28.9%, which offset the growth in operating costs.

In operations, we made significant infrastructure changes and reached a major milestone moving our operating system into the cloud. We upgraded software that assists in monitoring and detecting fraud activity. We upgraded our cheque writing technology for issuing office cheques. We completed a major project under the Payments Modernization plan that allows our Credit Union to be ready for upcoming upgrades from Payments Canada. We enhanced our internal security measures by introducing multi factor authentication for staff. We hired a marketing consultant and developed a Facebook page as we move into social media to bring awareness to our brand and products.

In 2024, we are working on a project that introduces 2-step verification for our membership which enhances security for members using their accounts. Later in 2024 and into 2025, we also will be introducing software for small business users that makes their online activities easier.

All these measures aim to fulfill our strategic priorities. They provide a secure space for our members to transact with confidence and provide online delivery channels for our membership to use in an ever-changing financial landscape. There are many things to do as we move forward, and we continue to move ahead for the benefit of our membership.

Our outlook for 2024 suggests a slowing economy. It is early days in this cycle as we wait for economic factors to support the lowering of interest rates. Labour remains steady but there are some signs of weakness in sectors with high debt. Our community remains stable with economic activity steady and well balanced. The real estate market has cooled with many people perhaps waiting for lower rates. We look forward to whatever comes in 2024 and we support our membership as always.

Our Board of Directors has worked hard and has been great to work with. Their focus is always members first. Management and staff serve our membership every day and I admire their sincerity and hard work, doing their very best for them. Most of all, my heartfelt thanks to our members for your continued support, trust, and confidence in your credit union.

Respectfully,

A handwritten signature in black ink that reads "L. Makortoff". The signature is fluid and cursive, written over a light blue background.

**Lawrence Makortoff**



Bernd Stengl photo

# FINANCIAL STATEMENTS

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# Report of the Independent Auditor on the Summarized Consolidated Financial Statements

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To the members of [Creston & District Credit Union](#)

## Opinion

The accompanying summarized consolidated financial statements, which comprise the summarized consolidated statement of financial position as at December 31, 2023, the summarized consolidated statements of comprehensive income, changes in members' equity, and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Creston & District Credit Union as at December 31, 2023.

In our opinion, the accompanying summarized consolidated financial statements are a fair summary of the financial statement, in accordance with Article 128 of the Financial Institutions Act of B.C.

## Summarized Consolidated Financial Statements

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

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

## The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on those consolidated financial statements in our report dated March 23, 2024.

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

Management is responsible for the preparation of a summary of the audited consolidated financial statements in accordance with Article 128 of the Financial Institutions Act of B.C.

## Auditor's responsibility

Our responsibility is to express an opinion on the summarized consolidated financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, "Engagements to Report on Summary Financial Statements."

Kelowna, Canada  
March 23, 2024

*Grant Thornton LLP*  
Chartered Professional Accountants

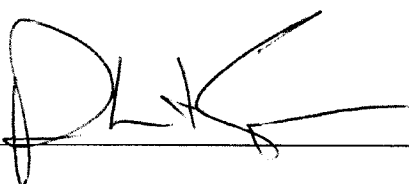
## Creston & District Credit Union Summarized Consolidated Statement of Financial Position

December 31	2023	2022
<b>Assets</b>		
Cash and cash equivalents	\$ 12,031,535	\$ 9,121,525
Investments	67,123,468	72,861,241
Receivables and prepaid expenses	293,863	331,470
Loans	99,949,806	96,764,573
Property and equipment	927,049	977,118
Investment property	337,495	346,667
Investment in and advances to associates	10,060,354	10,264,377
<b>Total assets</b>	<b>\$ 190,723,570</b>	<b>\$ 190,666,971</b>
<b>Liabilities</b>		
Deposits	\$ 162,391,866	\$ 164,492,088
Payables and other liabilities	1,202,057	1,156,335
Income taxes payable	156,390	94,257
Deferred income tax	1,000	29,000
<b>Total liabilities</b>	<b>163,751,313</b>	<b>165,771,680</b>
<b>Members' equity</b>		
Retained earnings	23,570,921	21,564,298
Members' shares	3,451,974	3,574,585
Accumulated other comprehensive loss	(50,638)	(243,592)
<b>Total members' equity</b>	<b>26,972,257</b>	<b>24,895,291</b>
	<b>\$ 190,723,570</b>	<b>\$ 190,666,971</b>

On behalf of the Board



Director



Director

## Creston & District Credit Union Summarized Consolidated Statement of Earnings and Comprehensive Income

Year ended December 31	2023	2022
Financial income	\$ 7,121,999	\$ 5,053,397
Financial expense	<u>1,610,027</u>	<u>779,219</u>
Financial margin	5,511,972	4,274,178
Other income	<u>1,396,546</u>	<u>1,342,879</u>
Operating income	6,908,518	5,617,057
Operating expenses		
Salary and employee benefits	2,187,569	1,830,407
General and administrative	1,284,717	1,168,184
Occupancy and equipment	449,508	311,253
Distributions to members	<u>543,982</u>	<u>408,573</u>
Earnings before income taxes	2,442,742	1,898,640
Income taxes	<u>436,119</u>	<u>427,892</u>
<b>Net earnings</b>	\$ 2,006,623	1,470,748
Other comprehensive gain (loss), net of tax		
Items that will be reclassified to net income	192,954	(186,066)
Items that will never be reclassified to net income	<u>-</u>	<u>-</u>
<b>Total comprehensive income</b>	<u>2,199,577</u>	<u>1,284,682</u>



## Creston & District Credit Union Summarized Consolidated Statement of Changes in Members' Equity

Year ended December 31, 2023

	Members' Shares	Retained Earnings	Accumulated other comprehensive income	Total members' equity
<b>Balance on December 31, 2021</b>	<b>\$ 3,900,494</b>	<b>\$ 20,093,550</b>	<b>\$ (57,526)</b>	<b>\$ 23,936,518</b>
Net earnings		1,470,748	-	1,470,748
Unrealized loss on debt securities, net of tax (\$68,819)	-	-	(186,066)	(186,066)
Change in members' shares, net	(325,909)		-	(325,909)
<b>Balance on December 31, 2022</b>	<b>3,574,585</b>	<b>21,564,298</b>	<b>(243,592)</b>	<b>24,895,291</b>
Net earnings	-	2,006,623	-	2,006,623
Unrealized gain on debt securities, net of tax (\$71,366)	-	-	192,954	192,954
Change in members' shares, net	(122,611)	-	-	(122,611)
<b>Balance on December 31, 2023</b>	<b>\$ 3,451,974</b>	<b>\$ 23,570,921</b>	<b>\$ (50,638)</b>	<b>\$ 26,972,257</b>

## Creston & District Credit Union Summarized Consolidated Statement of Cash Flows

Year ended December 31	2023	2022
<b>Increase (decrease) in cash and cash equivalents</b>		
Operating activities	\$ (3,671,916)	\$ (1,315,980)
Financing activities	(122,611)	(325,909)
Investing activities	6,704,537	(7,980,022)
Net increase (decrease) in cash and cash equivalents	2,910,010	(9,621,911)
Cash and cash equivalents, beginning of year	9,121,525	18,743,436
<b>Cash and cash equivalents, end of year</b>	<b>\$ 12,031,535</b>	<b>\$ 9,121,525</b>

A full set of consolidated financial statements are available from the Credit Union

# GOVERNANCE REPORT

Creston & District Credit Union is governed by a Board of Directors elected by the Credit Union's members. The Board of Directors is responsible under law for the management of the Credit Union's business and its affairs. It has the statutory authority and obligation to protect and enhance the assets of the Credit Union in the interests of all members. The duties and responsibilities of the Board of Directors are set out in mandate for the Board and include providing the mission and goals for the Credit Union, principles and values, developing a governance system and an overall risk appetite to manage and monitor applicable risks.

## Board Executive Committee

The Board Executive Committee consists of the Board Chair, the Vice-Chair, and the Secretary. The Board Executive Committee provides guidance and oversight in the effective functioning of the Board of Directors.

## Governance & HR Committee

The Governance & HR Committee supports the Board's accountability to ensure effective oversight of the HR practices and organizational performance through the Credit Union employees. The Committee supports the Board in matters relating to CEO recruitment and performance.

## Audit & Risk Committee

The Audit & Risk Committee's role is to ensure there is an effective risk management and control framework implemented. This framework should provide reasonable assurance that the financial, operational, regulatory, strategic and sustainability objectives of the Credit Union are achieved, and that the accountabilities of the Board and Management are met.

The Committee is responsible for the qualification, independence, and performance of the external and internal audit functions. This includes ensuring the integrity of financial and non-financial reporting and compliance with regulatory matters.

## Conduct Review Committee

The Conduct Review Committee oversees the Credit Union's business standards and ethical conduct and

related party loans and transactions entered into by the Credit Union. The Credit Union ensures compliance with relevant legislative internal policies and codes.

## Nominating Committee

The Nominating Committee assists the Board in the recruitment of qualified directors and to ensure the Board's competency to fulfill its responsibilities.

## Investment & Loan Committee

The Investment & Loan Committee assists the Board in fulfilling its responsibility for overseeing the Investment and Lending Policy of the Credit Union.

## Credit Committee

The Credit Committee assists the Board of Directors in the oversight of the Lending Policy by provincial review and/or approval of member loans as set out in the Investment and Lending Policy of the Credit Union.

## Board of Directors

The Board of Directors are a dedicated group of volunteers who have well rounded and significant experience to support their roles. They strive to ensure the well-being of the Credit Union so that it can serve its membership in a safe, secure, and relevant manner. With a common vision, the Board works together for the present and the future of the Credit Union.

## Director Compensation Disclosure

Creston & District Credit Union Directors are expected to dedicate considerable time to providing oversight for the Credit Union and reporting to the membership annually. They attend Board Meetings, Annual Planning Sessions, numerous Committee Meetings and several industry and regulatory functions as required. To attract and retain qualified Directors, they are compensated for attending meetings and functions and reimbursed for expenses such as meals, travel and accommodation. The compensation is comparable to other credit unions and financial institutions.

For fiscal 2023, compensation received for each Director is outlined in the table below, along with meeting attendance.

Director Compensation Disclosure 2023						
Director Name	Role as at Dec. 31, 2023	Board Meetings Attended	Committee Meetings Attended	Director Remuneration	Other Expenses	Total Compensation
Carrie Czar	Director	11	8	\$ 4,750	\$ 361	\$ 5,111
Don Low	President	12	4	\$ 9,000	\$ 3,343	\$ 12,343
Carole Materi	Director	12	8	\$ 5,750	\$ 1,130	\$ 6,880
Rick Minichiello	Director	11	10	\$ 5,000	\$ 628	\$ 5,628
Jim Ryckman	Director	12	9	\$ 5,125	\$ 375	\$ 5,500
Rob Simpson	Secretary	11	9	\$ 5,750	\$ 1,563	\$ 7,313
Don Tarrant	Vice-President	12	11	\$ 8,500	\$ 6,422	\$ 14,922
<b>TOTALS</b>		<b>81</b>	<b>59</b>	<b>\$ 43,875</b>	<b>\$ 13,821</b>	<b>\$ 57,696</b>

Totals rounded to nearest \$

### Creston & District Credit Union Compensation Philosophy

Creston & District Credit Union's Compensation Philosophy applies equally to all employees and is measured against the market of similar sized credit unions. We seek to balance fairness, affordability, and comparable compensation measures. Our compensation system is fundamental to attracting, retaining, rewarding, and motivating talented individuals needed for the success of the Credit Union.

### CEO Compensation

CEO compensation is established by the Board and is based on comparative asset groups across Canada as determined by an annual Central 1 Credit Union Survey

of Credit Union Compensation. Creston & District Credit Union participates in the survey, the CEO participates in the same comprehensive benefits plan as all other employees. In addition, the CEO participates in the Creston & District Credit Union's RRSP/Pension Plan where employees are paid a percentage of their base salary into an RRSP/Pension Plan. The CEO participates in a profit share plan with the same terms as all other employees and in accordance with Board approved policies.

For year end December 31, 2023, the CEO received total compensation of \$260,045.02 which represents base salary, RRSP/Pension contributions, bonus, profit share, and benefits.

## BOARD OF DIRECTORS



**Don Low**  
President



**Don Tarrant**  
Vice-President



**Rob Simpson**  
Secretary



**Carrie Czar**  
Director



**Carole Materi**  
Director



**Rick Minichiello**  
Director



**Jim Ryckman**  
Director

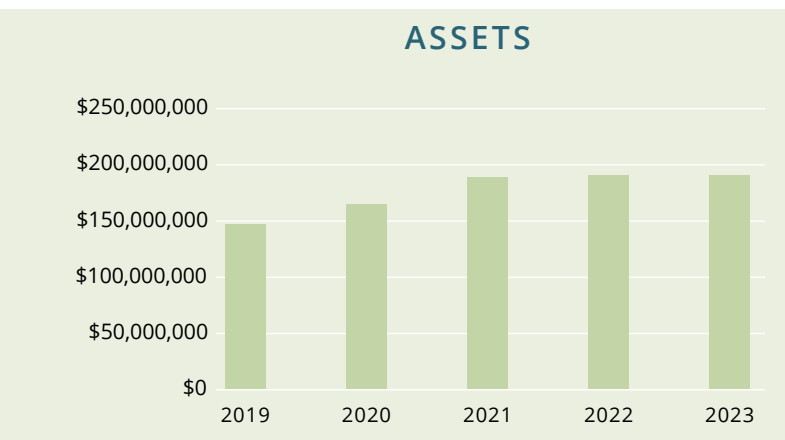
# 2023 IN REVIEW

## Management Discussion and Analysis

2023 was a year that started off with interest rates continuing to rise, then stabilized mid-year and stayed steady at higher levels for the remainder of the year. Growth was mixed across most business lines as rising prices slowed demand. Deposits were challenged for growth in 2023, while assets remained relatively flat. Our portfolio remained well positioned and we were able to produce the following results.

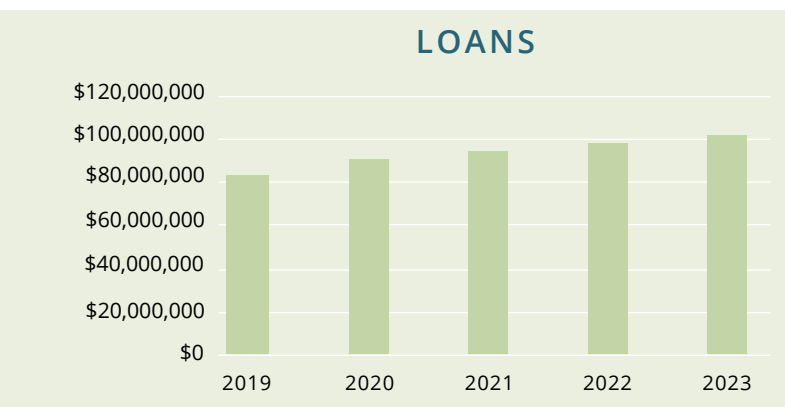
### Assets

Asset growth was flat in 2023. Despite a slowing economic environment and challenges faced with increased competition, we maintained our asset base. As the diagram below shows, asset growth was nominal.



### Loans

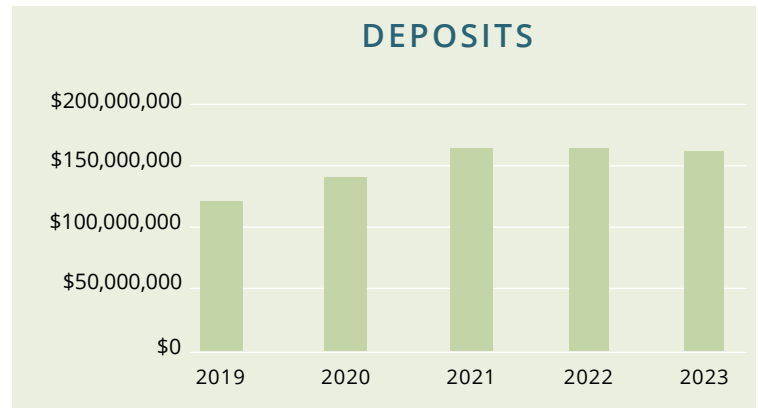
The real estate market slowed considerably in the last half of 2023 as interest rates remained higher than many of us were accustomed to. Listings increased in town and there



was a lower volume of sales, but residential home values remained stable. Our commercial portfolio also slowed in activity, but the portfolio grew relatively equally with the residential portfolio. Overall, our loan portfolio grew 3.3% which kept pace with inflation growth.

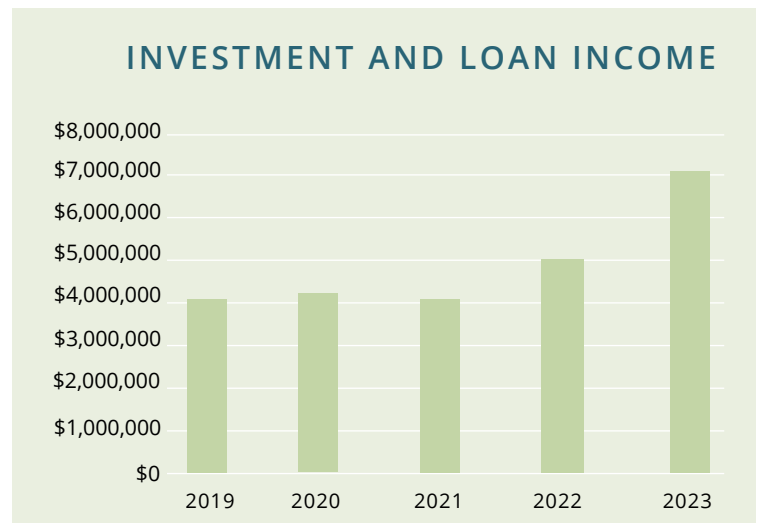
### Deposits

Deposit dropped by 1.27% or \$2.1 million. Higher interest rates on deposits encouraged significant competition among financial institutions seeking deposit business. The membership was very active in using demand deposits during the last quarter of 2023, which resulted in the decline.



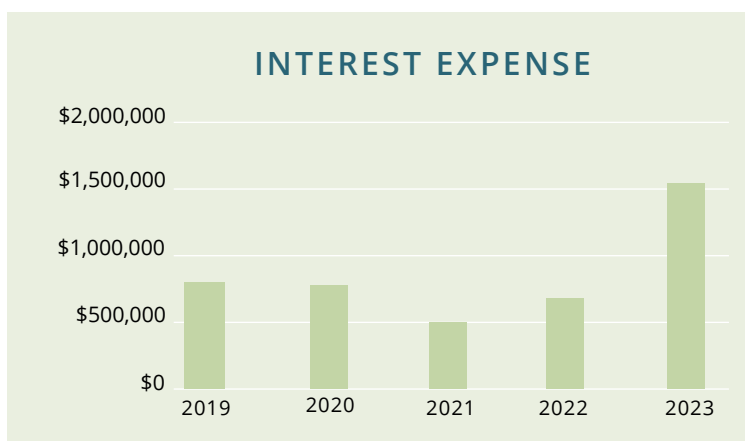
### Investment and Loan Income

Investment and loan income improved with rising interest rates. As rates stabilized at higher levels, along with a portion of the portfolio of loans and investments maturing and rolling into higher rates, our income increased as well. Loan income further improved with loan growth of 3.3%.



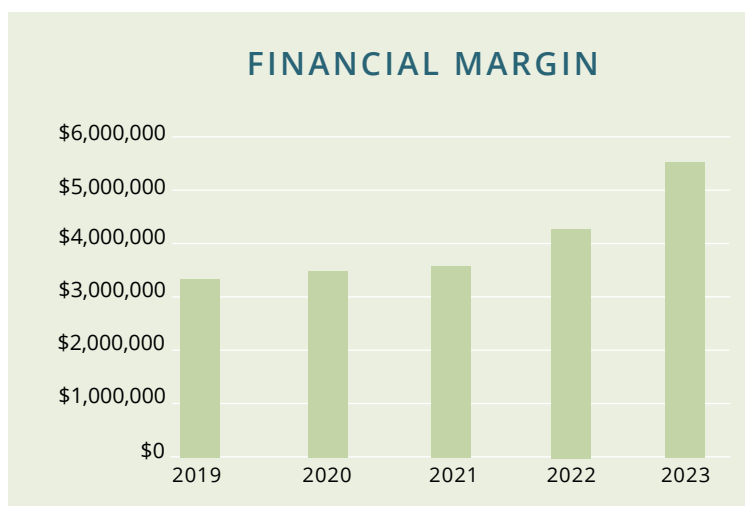
## Interest Expense

Higher interest rates and increased competition resulted in higher rates paid to members for term deposits. Interest expense rose 106% in 2023. We expect these costs to remain elevated, though interest rates may be coming down in 2024 and beyond if the economy continues to slow.



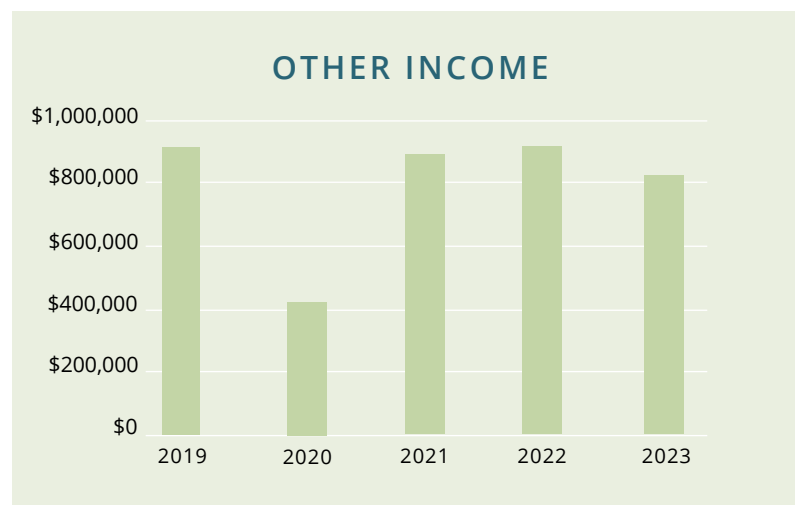
## Financial Margin

Interest rates rose through the first quarter of 2023 and then stabilized through the remainder of the year. Prime rate stayed at higher levels, so all variable rate products were affected. With interest rates staying elevated and many existing products maturing into higher interest rates, we improved financial margin with an increase of 28.9% over the prior year. Looking ahead, with interest rates likely moving lower, we do not anticipate financial margin to be able to hold at these higher levels.



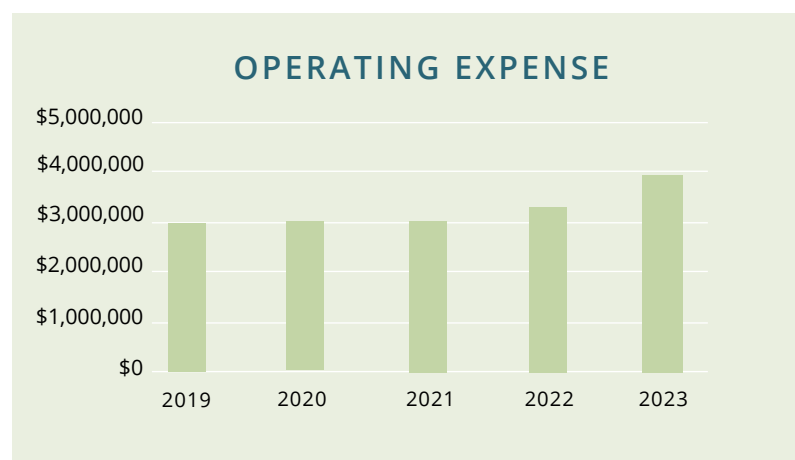
## Other Income

With a slowing economy, transaction volumes declined in 2023 which yielded lower revenues in service fees. Foreign exchange declined as well as a strong US dollar relative to the Canadian dollar slowed transaction volumes. Total other income was \$813,115 vs \$906,707 in the prior year. Please refer to Note 16 in the consolidated financial statements for a breakdown of each line item.



## Operating Expense

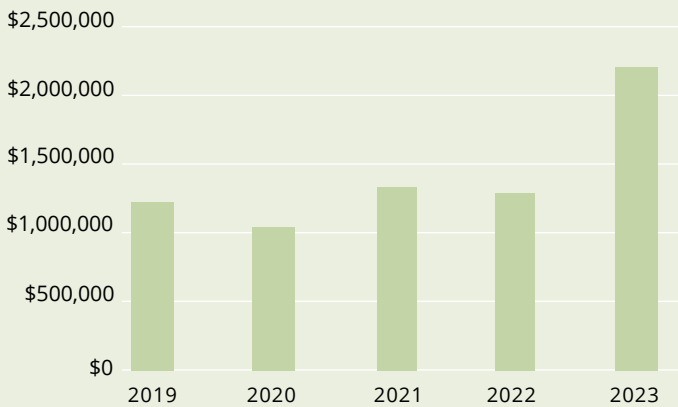
Operating expense increased in 2023. Price increases across all business lines continued in a similar fashion as 2022. Salaries rose in 2023 as we restructured the management team and staff salaries were adjusted to reflect cost of living increases. General administrative costs rose almost 10%. Overall, operating expense rose 18.5% over the prior year. Rising costs are expected to continue in the coming year.



### Net Income

Net income for 2023 was \$2,199,577 vs. \$1,284,682 in 2022. Net income (before comprehensive (unrealized) gain) for 2023 was \$2,006,623 vs. \$1,470,748 in 2022. Equity in income of subsidiaries is \$583,431 vs. \$436,172 in 2022. On a non-consolidated basis, specifically branch operations, which excludes dividend payments from our subsidiaries, we produced net income (before comprehensive (unrealized) gain) of \$1,385,582 vs. \$1,018,135 in 2022.

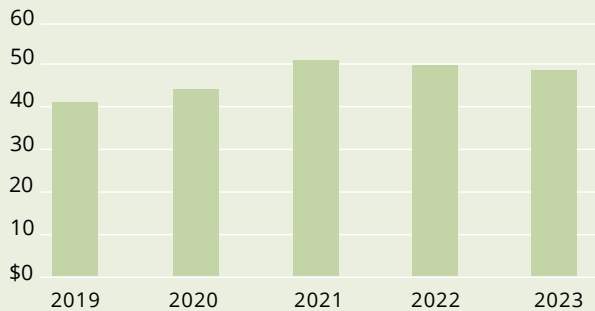
#### CONSOLIDATED NET INCOME



### Liquidity

Our Credit Union maintains strong liquidity levels. The Credit Union minimum core liquidity target is 12 – 15%, while actual is 48.55%.

#### LIQUIDITY RATIO

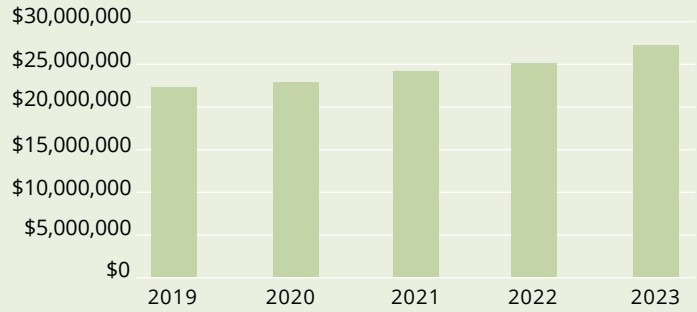


### Capital and Capital Adequacy Ratio

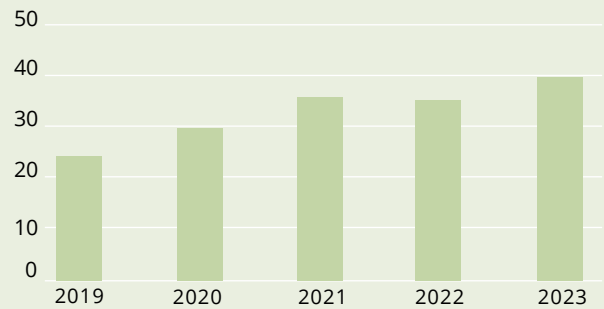
Our capital position continues to be strong which supports our balanced approach of increasing retained earnings and returning dividends and patronage to

members. Our Capital Adequacy Ratio of 39.84% is well above regulatory requirements of 8% and our Internal Capital Target of 12%.

#### CAPITAL



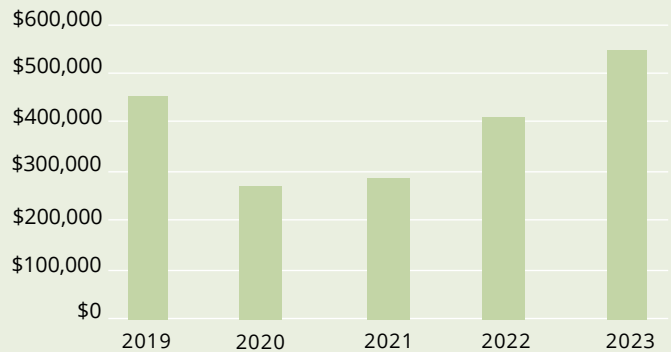
#### CAPITAL ADEQUACY RATIO



### Dividends and Patronage

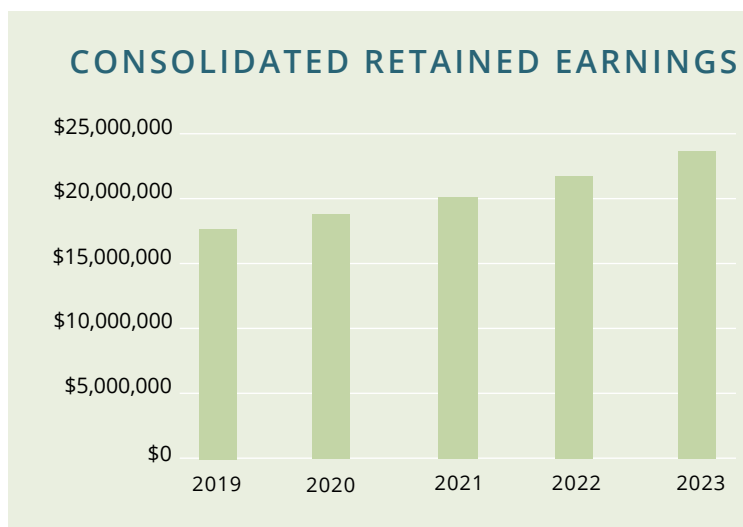
We continue to generate strong earnings. Profits have allowed the Board to return consistently strong dividends and patronage back to members. In 2023, the Board returned \$543,982 to members. This is an increase of 33% over the prior year.

#### DIVIDENDS AND PATRONAGE CREDITS



## Consolidated Retained Earnings

Our consolidated retained earnings have grown in steady fashion indicating stable earnings. Excluding member equity share investment, this represents the net worth of the Credit Union.



## Outlook for 2024

Our outlook for 2024 suggests the likelihood of a slowing economy. Our community economy remains steady and stable, largely because we have the luxury of a well-balanced economy across many sectors. Our view is that a slowing economy may result in lower interest rates. The timing of this remains unknown but we anticipate some pent-up demand to occur once the rates begin to reflect economic activity.

The real estate market has cooled as has business activity in general. Labour remains steady but there are signs of weakness across sectors which operate with higher debt. Unfortunately, soft fruit crops appear to have been adversely impacted by the weather, so this would affect the sector. On the other hand, small business remains busy with many storefronts active and in use. Newcomers continue to choose our beautiful valley to put down roots.

We are grateful for our existing members and their ongoing trust and confidence. We welcome new members to serve and meet their financial needs. We look forward to 2024 and whatever happens, we will be there to support our members and our community.

## 2023 DONATIONS AND SPONSORSHIPS

### ARES PAC

Breakfast Program

### BC Senior Games - Zone 7

'Coffin Dodgers' Slo-Pitch Team

### Blossom Valley Singers

Canyon Community Association

Canada Day Celebrations

### Columbia Basin Alliance for Literacy

Books for Kids 2023

### Columbia Brewery

Dash 4 Trash Community Clean-Up Day

### Creston & District Credit Union Bursary 2 @ \$2,500

### Creston Community Seed Bank Society

Seed Extension Project

### Creston Curling Club

Butterfly Bonspiel

### Creston Golf Men's Club

Men's League Competition

### Creston Lions Club

### Creston PAWS

Calendar Fundraiser

### Creston Rotary Club

Drive Fore Rotary

### Creston Valentine Bonspiel

### Creston Valley Bird Fest Committee

2023 Bird Festival

### Creston Valley

### Ministerial Association

Christmas Hampers

### Creston Valley Minor Hockey Association

U18 Midget Team Provincials

### Creston Valley Shrine Club #35

### Harvey Sayles Derby

### Creston Valley

### Thunder Cats Golf

### Creston Valley

### Tuck Shop

Smile Cookies

Fundraiser

### Creston Valley Women's Soccer Association

Referee Clinic

### Creston-Kootenay Lake Gran Fondo

### Ducks Unlimited

### Kootenay Community Centre Society

### KRSS Parent Prom Committee

### Rick Clark Memorial Golf Tournament

### Royal Canadian Legion Branch 29

### School District 8 - KRSS

Senior Boys

Volleyball Provincials

### Wynndel Community Centre



Margaret Miller photo

## MISSION STATEMENT

*Creston & District Credit Union is and will continue to be a sound, profitable, independent, progressive, service-oriented financial institution. We are dedicated to serving our member's needs and committed to contributing to the well-being of our community.*

### CRESTON & DISTRICT CREDIT UNION

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