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Letter from our CEO

Looking back at an unusual year we want to thank our employees, leadership team, Board of Directors and YOU, our members. Our employees' effort, perseverance, and dedication was unparalleled and the support our members demonstrated to each other and the credit union throughout a very difficult year for the world made a huge impact.

COVID's Impact at Pathwise

COVID-19's impact on Pathwise was mostly contained by swift action by the team and relentless support by the team, Board of Directors and members. Our strategy was simple but effective. We focused on safety, collaboration, and being there for our members. We were proud that we managed not to close the doors during the pandemic, other than offering extended lunch breaks for the team.

Updates through 2020

Throughout this pandemic, we were committed to serving our members in the best way possible. In addition to our normal every day, and the new challenges of remote work and enhanced health and safety, we also embarked upon an enormous banking system conversion project. In order to complete this project, we had to run more than 10 ancillary projects, which was a huge undertaking for our credit union.

While also working towards long term improvements like our new banking system we experienced an increase in employee engagement and watched our score climb to new highs. In addition, we continued to rollout our new Pathwise Credit Union brand and enhanced communications efforts to keep members and employees safe.

Moving Forward in 2021

During 2020, we saw previously considered challenges evolve into the new way forward. Our challenge is to embrace change, while bringing everyone along. We are excited to be wrapping up the banking system project and embarking on a new project to integrate sustainable development goals into our value chain. We are excited for the future and we thank you for being on the path with us.



Chris Inniss

“ John is very dedicated to Pathwise and has a strong belief in the cooperative system. He always puts the members of Pathwise first whenever he is making any kind of decisions and does what is right for our membership on a whole.

Loreen P

Director



Letter from our Board Chair

2020 was the beginning of a global series of events that finds its presence in our lives on a daily basis today. Our credit union employees, leaders and board have proven how we are a strong team committed to the membership, that credit unions can pivot and remain strong well into the future. Your Board of Directors at Pathwise have been working and meeting remotely since the pandemic numbers began increasing in March 2020 in Canada.

Our Board and Leadership team stepped right into the Build Strong phase of the business continuity plan and practices, to ensure employees and members would remain safe, strong, and focused as the weeks and months moved forward.

As we guided the credit union and members to meet the needs in our Vision that All members are on their path to financial success and our Mission that we are people helping people find their path to financial success. We are absolutely certain that our organizational commitment to the members and the future of the credit union is stronger for years to come.

The Board, Employees, and Leadership continue to support, and build a strong organization working together into the future. You will see on the external and internal bones of your credit union, that renewal and forward thinking can ensure that we will be resilient into the future to meet the needs of our members and our communities.

We know from our discussions, that members find that their membership in our collective cooperative has helped so many people throughout the years, in our community and around the dinner table at homes for 83 years. The Board encourages you to share your experience and leadership in building upon all the great work done by members through the years and invite more people to join us.

This will be my final year in the role of Board Chair. **I have had the incredible opportunity to work with so many committed members over the past 10 years as a director of the Board.** I have been able to extend the attained skills and experience in my 20+ years in the community in my role as a director.

I would like to send out my appreciation to the Leaders, Board and Staff I have worked alongside with over the years. It has been a wonderful experience and reminds me every day of the commitment to the cooperative principles of which we started in 1938. We have built an amazing credit union that will grow for years to come in Ontario.

On behalf of the Board, we sincerely thank you.



John MacDonald

Audit Committee Report

The Audit and Operational Risk Committee of Pathwise Credit Union is a committee of the Board of Directors and operates under Section 125 of the Credit Unions and Caisse Populaires Act of 2007 and with guidance from Financial Services Regulatory Authority Ontario (FRSAO) which has assimilated the Deposit Insurance Corporation of Ontario (DICO) .

The committee is elected annually in April and in 2020-2021 consisted of: Arnold DeMan Chairperson, John MacDonald Chair of the Board, Ron Beacock, Loreen Potter, Francine Saunders, Ted Paulsen and Chris White.

Total assets at the end of 2020 were \$ 434,703,125.

- The Committee held five (5) meetings during the year.
- Reviewed the quarterly Financial Statements of the credit union and the associated notes and schedule monitoring the results of compliance with the International Financial Reporting Standards 9 (IFRS9), Capital Reserve requirements, liquidity and interest rate risk requirements as outlined by the Credit Union Caisses Populaire Act, Regulations and Government Regulators.
- Pathwise Credit Union has two auditing firms as required by regulation. Tinkham LLP is the external auditor and PRA Canada is the internal auditor.
- As is done each December the Audit Committee worked with our internal auditors (PRA) to develop an audit plan for the following year. The Committee met quarterly with the internal auditor (PRA) to discuss audit findings and recommendations as well to review all material internal control issues and recommendations. The committee monitored management's response to all internal audit recommendations.
- Reviewed all of the Policies and Procedures and controls of the credit union which relate to legislative compliance with a particular focus on Enterprise Risk Management (ERM) which includes but not limited to; Operational Risk, Technology Risk, Fiduciary Risk, Regulatory Risk,

“ The Audit Committee is pleased to report to the Membership that all aspects of the Committee's annual mandate have been achieved and that all significant recommendations of the Committee have either been implemented or are in the process of being implemented.

Arnold D

Audit Chair

Outsourcing Risk and Management Expenditure. As these Policies are specified in the Act or by Financial Services Regulatory Authority Ontario.

- The Committee reviewed and understands the status and the quality of our commercial loan portfolio as we moved to a more security based approach. We are only involved in syndicated loans with Central-1.
- Tinkham LLP the external auditor audits the financial statements and reports to the Audit Committee. The Committee served as the principle communication link between the External Auditor and the Board of Directors and in particular reviews the terms of engagement, the scope of the annual audit, the Auditors Management Letter and the credit union's Financial Statements. We also hosted a committee of the whole meeting with our External Auditor at which the Board of Directors were present to review the year-end Financial Statements.
- Enterprise Risk Management (ERM) was a focus by both the Audit Committee and Management and how ERM would integrate into the management organization processes. The committee focused on the top risks as identified by the board and management. Discussions throughout the year were impactful in reducing and eliminating many of the risks to ensure the continued success of credit union.
- Based on its findings, the Audit/Risk Committee reports to and make recommendations to the Board of Directors with respect to the matters outlined above regarding policy, internal controls, legal actions, compliance with the Credit Union Caisses Populaires Act and Regulations and Financial Services Regulatory Authority Ontario (formerly DICO) By-Law #5. The committee follows up on all issues to ensure that all of our recommendations are implemented.
- The Audit Committee is pleased to report to the Membership that all aspects of the Committee's annual mandate have been achieved and that all significant recommendations of the Committee have either been implemented or are in the process of being implemented. There are no matters that the Audit Committee believes should be reported to the Membership and there are no issues that are required to be disclosed pursuant to the Credit Union Caisses Populaires Act or the Regulations. The Committee is pleased with the co-operation from Management and both External and Internal Auditors in completing all of the required activities in an efficient time frame during the 2020 fiscal year.

Respectfully submitted,



Arnold DeMan
Audit Chair

John MacDonald
Ted Paulsen
Chris White

Ron Beacock
Loreen Potter
Francine Saunders

Board of Directors



Arnold

Audit Chair, Governance



Chris

Governance, Audit,
Nomination



Derek

Nomination Chair, Audit



Doug

Governance Chair, Audit



Francine

Governance, Audit,
Credit + Market Risk



John

Board Chair,
Audit, Governance,
Credit + Market Risk,
Nomination



Loreen

Corporate Secretary,
Governance, Audit,
Credit + Market Risk,
Nomination



Mike

Credit + Market Risk Chair,
Nomination



Ron

Governance, Audit
Credit + Market Risk



Ted

Governance, Audit

Leadership Team



Chris, CEO | Lindsay , CXO | Dan, CFO



Amanda C.



Christine



Dolly



Jessica



Leanne



Linda



Meg



Mike



Nicole J.



Nicole M.

Independent Auditor Report

Summary Financial Statements

To the Members of
PATHWISE CREDIT UNION LIMITED

Opinion

The summary financial statements, which comprise the summary statement of financial position as at December 31, 2020 and the summary statement of comprehensive income for the year then ended are derived from the audited financial statements of Pathwise Credit Union Limited 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 the note to 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 auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon. The summary 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 February 24, 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 the note to 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 (CAS) 810, Engagements to Report on Summary Financial Statements.



Tinkham LLP
Licensed Public Accountants



Our Financial Position

As at December 31

2020

2019

ASSETS

| | | |
|-----------------------------|--------------------|--------------------|
| Cash & cash equivalents | 28,150,824 | 9,477,698 |
| Investments | 31,324,394 | 27,800,721 |
| Income taxes receivable | - | 76,472 |
| Loans & advances to members | 367,204,239 | 350,855,734 |
| Pension asset | 198,900 | 562,400 |
| Deferred income tax asset | 1,409,455 | 1,395,872 |
| Other assets | 2,263,494 | 2,374,352 |
| Capital assets | 4,151,819 | 3,561,570 |
| Total Assets | 434,703,125 | 396,104,819 |

LIABILITIES, MEMBER ENTITLEMENTS & MEMBERS' EQUITY

Liabilities

| | | |
|---|-------------------|-------------------|
| Accounts payable & accrued liabilities | 6,090,275 | 3,896,590 |
| Income taxes payable | 47,302 | - |
| Obligation for post-employment benefits other than pensions | 3,971,800 | 3,501,900 |
| Mortgage securitization liabilities | 35,340,229 | 37,740,963 |
| | 45,449,606 | 45,139,453 |

Member Entitlements

| | | |
|---|--------------------|--------------------|
| Members' accounts & deposits | 360,717,123 | 323,301,477 |
| Members' share capital | 2,658,157 | 2,766,910 |
| Accrued member interest, dividends & patronage return | 1,944,433 | 2,055,154 |
| | 365,319,713 | 328,123,541 |

Members' Equity

| | | |
|--------------------------------------|-------------------|-------------------|
| Members' share capital | 7,937,444 | 7,687,354 |
| Retained earnings | 21,618,440 | 20,257,184 |
| Accumulated other comprehensive loss | (5,622,078) | (5,102,713) |
| | 23,933,806 | 22,841,825 |

| | | |
|---|--------------------|--------------------|
| Total Liabilities, Member Entitlements & Members' Equity | 434,703,125 | 396,104,819 |
|---|--------------------|--------------------|

A full set of audited financial statements is available from the Credit Union.

Approved on behalf of the Board:

Our Comprehensive Income

Year ended December 31

2020

2019

Interest Income

| | | |
|---|-------------------|-------------------|
| Loan interest | 13,299,569 | 13,403,649 |
| Investment interest and dividends | 528,142 | 743,432 |
| | 13,827,711 | 14,147,081 |
| Interest on members' accounts and deposits | 4,089,069 | 4,279,995 |
| Interest expense - other | 901,930 | 1,053,349 |
| Provision for impairment losses on member loans | 206,000 | 154,852 |
| | 5,196,999 | 5,488,196 |
| Financial margin | 8,630,712 | 8,658,885 |
| Other income | 2,557,401 | 1,626,637 |
| | 11,188,113 | 10,285,522 |

Expenses

| | | |
|---|------------------|------------------|
| Salaries, employee benefits and personnel | 5,355,830 | 2,498,098 |
| Operations | 1,658,630 | 1,703,962 |
| Information technology | 844,411 | 760,249 |
| Depreciation | 485,548 | 445,685 |
| Business development | 469,480 | 286,731 |
| Governance | 237,770 | 233,649 |
| Charity | 43,566 | 35,948 |
| | 9,095,235 | 5,964,322 |

| | | |
|--|------------------|------------------|
| Net income before member distributions and provision for income taxes | 2,092,878 | 4,321,200 |
| Deduct: Dividends and patronage return | 24,983 | 26,597 |
| Net income before provision for income taxes | 2,067,895 | 4,294,603 |
| Provision for current income taxes | 405,176 | 305,330 |
| Provision for deferred income taxes | 141,552 | 625,420 |
| Net income for the year | 1,521,167 | 3,363,853 |

Other comprehensive loss, net of tax

| | | |
|--|------------------|------------------|
| Actuarial gains (losses) on employee future benefits | (519,365) | (599,390) |
| Reclassification of realized gains on available-for-sale investments | - | (21,436) |
| Total other comprehensive loss | (519,365) | (620,826) |
| Net comprehensive income for the year | 1,001,802 | 2,743,027 |

A full set of audited financial statements is available from the Credit Union.

Notes to the Summary 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, 2020 and December 31, 2019 and for the years then ended.

The preparation of these summary financial statements requires management to determine the information that needs to be included to ensure they are consistent in all material respects with, or represent a fair summary of, the audited financial statements.

Management prepared these summary financial statements using the following criteria:

- (a) the summary financial statements include a statement for each statement in the audited financial statements, except the statement of members' equity and statement of cash flows, which can be obtained from the complete set of audited financial statements;
- (b) information in the summary financial statements agrees with the related information in the audited financial statements;
- (c) major subtotals, totals and comparative information from the audited financial statements are included; and
- (d) the summary financial statements contain the information from the audited financial statements dealing with matters having pervasive or otherwise significant effect on the summarized financial statements.

A full set of audited financial statements is available from the Credit Union.





Remembrance Day Art Contest



Durham Alliance Association Social Club



Picadilly Cakery



Back Door Mission, Walk With Us video



Updating our sign to Pathwise!



Testing the 6' away stickers

Community and Virtual Events

At Pathwise, community engagement means we are actively involved in our communities and taking a responsible and sustainable approach to address issues that impact our members, communities, and environment.

The Board and leadership team affirmed a percentage of pre-tax net income to community engagement and voted to add volunteer hours per employee. A goal of 40% of employees completing 7.5 hours annually was set and with the recognition that flexibility and creativity are needed due to workplace COVID restrictions.

In addition to the short-term initiatives, the Board and leadership team are committed to five Sustainable Development Goals (SDGs) including: gender equality, decent work and economic growth, reduced inequalities, sustainable cities and communities, and climate action.



2020-2021 Retirees

Thank you for your dedication to Pathwise!

| Years of Service | |
|-------------------|----|
| Lorna Wilkinson | 32 |
| Julia Harris | 32 |
| Joan Thursby | 36 |
| Betty Wright | 42 |
| Janice Hawker | 43 |
| Enid Lyttle | 7 |
| Flo LeBreton-Elik | 31 |



**Everyone deserves
a path to financial
success.**

**No matter the industry you
come from, your financial
background, age, or
situation, all are welcome at
Pathwise.**

Learn more at pathwise.ca