



2019 ANNUAL REPORT

[2019년도 연차보고서]



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신탁과 함께하면,
따뜻한 미래가 기다립니다.





REPORT FROM CEO AND THE BOARD CHAIR



During the last 31 years of our operational history, almost every single year was successful in achieving strong financial results. With a grateful heart toward our members who are the main source of this success, we're pleased to report that 2019 was also an exceptionally remarkable year.

It was especially remarkable because our total asset finally grew over the \$500 million mark, a significant threshold that reflects the strong support we've received from the community. This support gives us hope that we will be able to grow even further and create more benefits for our members and community. The fact that this support is built on a solid and balanced financial foundation makes us even prouder.

In a trying external environment of continuously sluggish economic conditions and fierce competition, it is true that we've had to face some difficulties and hurdles during the year. A squeezed margin is one of them and, despite our ongoing effort to make improvements, the results have been meager. Even so, we've achieved what we had planned for the year in terms of earnings. Overcoming the ever-squeezing margin will be a continuous challenge that we will counter wisely moving forward, with a number of strategies in mind to execute this year.

As of 2019 year-end, we grew to a total asset of \$508 million. Considering the fact that we were able to achieve this in only 31 years and that we're the last of 42 credit unions to be born in the province of BC, we have every reason to celebrate and congratulate each other for the reality that we place ourselves right in the middle of all credit unions in BC in terms of asset size. More often than not, a rapid growth is apt to endanger the organization's financial structure, but with all this growth, we've maintained a healthy capital adequacy of over 14%, a strong liquidity position of over 15%, and an impressive delinquency rate of less than 0.3%.

With about a 17% asset growth from \$454 million in 2018, our residential mortgage was relatively strong in spite of the visible slowdown in the real estate market after several regulations and taxes were imposed to a certain real estate transaction. A residential portfolio grew 8.9% or to \$325 million from \$298 million in 2018. The commercial side was even stronger with a 18% or \$12 million increase to \$78 million from \$66 million in 2018. The deposit side showed equally strong growth adding \$60 million in aggregate deposit total, a 15% growth to reach the total member deposits at \$476 million.

Net operating income for the year was \$2.53 million, a 6.23% or \$158,000

increase compared to 2018. As briefly mentioned in the beginning, we've obtained this commendable result under the situation of the squeezed margin through effective cost control. The Board decided to share this profit with the members in the form of dividend and patronage refunds in the total amount of \$753,000. This amount was distributed as a 2.5% dividend on share deposits and 6.0% refund on the interest paid on residential and commercial mortgages.

Additionally, we've continued to support our community with the firm belief that a strong community makes a strong credit union. As in the previous years, we aided many community events including a youth camp, performances by local art groups, and senior citizens' activities. In particular, we began paying more attention to the younger generation by providing an annual internship program and hosting a soccer league. This year, we plan to extend this youth support by adding a baseball league and offering a free chequing account.

We were also diligent in helping members in general by promoting "Group Buying" events where participating members were able to purchase quality household items with relatively low prices and, in some cases, with credit union provided no-interest short term loans. The items ranged from a Kim-chi refrigerator, Styler, Lap-top computer, Massage Chair etc. and we will continue to promote these events with new items.

In light of celebrating our 30th anniversary in 2018, we granted the "Dream Scholarship" to 12 recipients amounting to \$30,000 in total. The Board resolved to make this an ongoing event that will start this year in September.

Each of the seven directors you elected is very well aware of the principle that only a prudent governance warrants a healthy credit union. In order to put that into practice, the Board was ever diligent in reviewing policies and procedures, overseeing the operation by receiving and reviewing various reports from the management, setting goals and mentoring the management, and attending meetings and training sessions.

To ensure the proper oversight of the operation and prudent governance over the credit union, the Board also performed earnest assessments of its own functionality as well as that of the chair and committee chairs. The outcome was discussed in detail and whatever strategies were deemed necessary for

betterment were implemented.

In anticipation of becoming a credit union much bigger in size and more sophisticated in operation, we understand the importance of strengthening the fundamentals such as capital base, liquidity position, asset quality, and cyber security. As such, in 2020, we plan to concentrate more on these basics rather than on growth. As there are still many uncertainties both globally and domestically which raise questions about continuous robust growth, we believe that now is a good time to pause and patiently lay up a strong foundation in pursuit of growing into a billion dollar-asset credit union that provides quality services.

We are a credit union that values "People" before "Money" and that is well depicted in the recent system-wide campaign, "You First, Banking Second." We have been, and will continue to be, a credit union for you and our community. 2020 will be another year in which we will do our best to give you more benefits and make you proud to be a member of this credit union.



Suk, John Kwang Ik
President and CEO



Lee, Howard Hyung Yul
Chair, Board of Directors

운영현황 보고서

존경하는 조합원 여러분, 돌이켜 보면, 지난 31년 우리 신협은 해를 거듭하면서 성공의 결실을 거두었던 세월의 연속이었습니다.

이제 2019년을 마감하고 지난 회계연도의 성과를 돌아보는 시점에서, 어김없이 또 한 번의 성공의 해를 이루었음을 보고 드리게 되어 대단히 기쁘게 생각합니다.무엇보다도 먼저, 이러한 성공의 원동력이 되어 주신 조합원 여러분들께 깊은 감사의 마음을 전합니다.

지난 한 해의 성과가 특별히 자랑할 만한 것은 우리 신협이 드디어 5억 달러의 자산을 초과 달성하였다는 것입니다. 이는 우리 지역사회와 조합원 여러분의 전폭적인 지지와 협조 정신의 반증이며, 이와 같은 성공의 결과로 인하여 우리는 보다 더 큰 혜택을 지역사회와 조합원 여러분에게 환원할 수 있게 되어, 한 단계 더 크게 도약할 수 있다는 희망을 갖게 되었습니다. 더욱이 이와 같은 지속적 성장과 더불어 균형 있는 탄탄한 재무구조의 기반을 유지하고 있다는 사실이 우리를 더욱더 자랑스럽게 합니다.

최근 금융산업 전반의 불안한 환경과 날로 치열해 가는 금융기관 간의 혹독한 경쟁으로 인하여 우리는 적지 않은 어려움과 장애를 겪어 왔으며, 앞으로도 불안한 경제여건이 예견되고 있습니다. 그러나 우리 신협은 어려운 여건 속에서도 비용절감을 포함한 다각도의 경영전략과 배가의 노력으로 연초에 계획했던 경영 목표를 무난히 달성하였습니다. 2020년도의 경제 전망도 매우 불안한 전망을 보이고 있으며 금융기관의 경영마진에 대한 압박이 가중되고 있으나, 우리는 경영마진 감소에 대한 적극적인 대책과 효율적인 자구책을 강구해 나갈 것입니다.

우리 신협은 5억8백만 달러의 자산을 보유한 자랑스러운 금융기관으로 2019년을 마감하였습니다. BC 주의 42개 신협 중에서 가장 마지막으로 탄생한 한인 신협이 드디어 전체 42개 신협 중에서 자산 총액 규모가 중간 상위를 기록하고 있습니다. BC 주의 모든 신협과 비교할 때 가장 짧은 31년의 역사를 가진 우리 신협이 당당하게 괄목한 성공을 이루었다는 사실은 우리들 모두가 기뻐해야 하고 그리고 자축할 경사라고 생각합니다.

지난 31년의 급속한 성장 과정에는 많은 어려움과 위험요소들이 있었습니다. 그러나 우리는 급속한 성장세 속에서도 14% 이상의 자기자본율, 16% 수준의 지불준비율 그리고 0.3% 이하의 연체율을 유지하고 있어 대단히 건실한 재무구조를 갖추고 있습니다.

자산 증가율은 전년도 4억5천만 달러로부터 17% 성장하였고, 주택담보

대출은 각종 세금과 규제 때문에 경직되어 있는 부동산 시장 여건에서도 활발한 증가세를 보여 총대출액이 2018년 2억9천8백만 달러에서 8.9% 성장하여 3억2천5백만 달러가 되었습니다. 상업용 부동산 대출 신장은 한층 더 활발하여 18% 증가, 1천2백만 달러가 증가한 7천8백만 달러를 기록하였으며, 조합원 총 예금도 15% 상승한 6천만 달러가 증가하여 4억7천6백만 달러가 되었습니다.

영업순이익은 2백5십3만 달러를 기록하여, 2018년 보다 1십5만8천 달러 증가한 6.23% 상승세를 보였습니다. 앞에서 간단히 언급했던 바와 같이 우리는 비용절감을 포함한 효율적인 경영전략과 정책을 통하여 소기의 결과를 얻을 수 있었습니다. 우리는 이 수익을 조합원 여러분과 나누기 위해 총 7십5만3천 달러를 배당금과 이윤고 배분으로 책정하여, 배당금 명목으로 2.5%를 지불하였으며, 주택 및 상업용 모기지 연 불입 이자액의 6.0%의 금액을 이윤고 배분으로 조합원 여러분께 돌려 드리게 되었습니다.

그 외에도 우리 신협은 튼튼한 지역사회가 튼튼한 신협을 만든다는 신념 하에, 지속적으로 한인사회와 지역사회를 이모저모 후원하고 지원하고 있습니다. 예년과 다름없이 각종 문화 행사를 지원했고 청소년 행사와 노인회 행사에도 적극 협참 하였습니다. 특별히 차세대의 건전한 성장을 돕기 위해 인턴십 프로그램과 청소년 축구리그에 많은 주의를 기울였습니다. 금년에도 인턴십 프로그램은 계속할 것이며 스포츠 부문은 야구리그 까지 확대 지원할 계획을 가지고 있고 그 외 청년 세대에게 무료 체크인 카운트를 제공하도록 노력할 것입니다.

모든 조합원 대상으로는 “공동구매” 프로그램을 운영하여 양질의 가전제품을 저렴한 가격으로 많은 조합원들이 혜택을 누리게 하였습니다. 또한 원하시는 경우 무이자 단기 대출로 프로그램에 참여하시는 분들에게 많은 도움을 주었습니다. 작년도 공동구매 형식으로 구매한 물품의 종류는 김치냉장고, 스타일러, 노트북 컴퓨터와 마사지 의자 등이었으며, 금년에도 “공동구매” 프로그램을 계속 운영할 계획입니다.

2018년에 있었던 30주년 특별 장학금 행사를 통하여 우리는 3만 달러의 “희망드림” 장학금을 12명의 조합원에게 수여했던 바가 있습니다. 우리는 “희망드림” 장학제도를 일회성 행사로 끝내지 않고, 장래에도 지속적인 연중행사로 유지할 것을 의결하였습니다. 금년 9월부터 “희망드림” 장학 행사를 재개할 계획이며, 조합원 여러분의 많은 참여와 성원을 기대합니다.

여러분이 선임해 주신 일곱 분의 이사님들은 이사회의 기본 원칙에 따라 건전하고 효율적인 이사회 운용을 위하여 각자 성실하게 노력하고 있습니다. 이사회의 책임과 원칙을 준수하고 실행에 옮기기 위해 열정적으로 각종 규칙과 정책을 제정, 정비하는 임무를 수행하고 있으며, 또한 신협만의 경영진으로부터 경영 전반에 대한 운영상황을 청취하고 주요 안건을 의결하는 임무를 수행하고 있습니다. 신협의 향후 장단기 사업목표와 주요 경영지표를 설정하고, 성공적인 목표달성을 위하여 효율적인 지원업무를 수행하고 있습니다. 이사님들은 정기적으로 월별 분기별 코미티 회의와 이사회 회의에 참석하여 제시된 안건을 심의 의결하는 한편, 연간 계획되어 있는 각종 회의와 교육 프로그램에 참여하여, 날로 첨예해 가는 금융환경에 적응하도록 노력하고 있습니다.

이사회의 효율성을 제고하고 증진하기 위하여 매년 이사회 전체에 대한 능력 자질 평가를 실행하고 있으며, 이와 더불어 이사장의 업무수행 평가와 각 위원회를 맡고 있는 위원장의 업무수행 평가도 동시에 실시하고 있습니다. 이사회 평가와 이사장, 위원장의 평가 성적을 참고하여, 이사회의 개선과 계발을 위한 적절한 조치와 정책을 도입 시행하고 있습니다.

우리 신협은 자산 규모가 대형화 해 감에 따라 운영과 관리 체계도 점차 다양해 지고 있습니다. 우리는 지속적인 성장을 위하여 자본적정율, 지불준비율, 자산 건전성이나 사이버 시큐리티 등의 경영기반 건전성이 무엇보다도 중요하다는 것을 잘 알고 있습니다. 따라서 2020년도의 경영전략은 급속한 성장 위주의 정책보다는 균형성장을 목표로 건전한 경영지표를 유지하고, 기본 베이스를 튼튼히 하는데 주력할 것입니다. 국내외에 산재해 있는 불안요소들로 인해 향후 경기변동과 시장 상황에 따라 지속적인 성장이 대단히 불투명한 상황에 직면해 있습니다. 우리는 이러한 시장 상황을 고려하고 현실적인 경영전략에

기반하여, 서두르지 않고 내실을 견고히 다져가는 기회로 삼아 난관을 극복해 나갈 것입니다.

우리 신협은 안정적인 균형성장, 건전한 경영지표, 철저한 투명경영의 원칙을 준수하고, 지역사회와 조합원 여러분에게 양질의 금융서비스를 제공하는 최고의 신협을 목표로 정진할 것이며, 머지 않은 장래에 10억 자산을 달성하는 기초석 준비에 매진할 것입니다.

우리는 “돈” 보다는 “사람”을 중시 하는 신협입니다. 이 정신은 최근에 캐나다 연합회를 중심으로 캐나다 전역에서 벌이고 있는 캠페인, “You First, Banking Second!” 슬로건에 잘 나타나고 있습니다. 우리는 지난 31년간, 그리고 앞으로도 영원히 조합원 여러분과 지역사회를 위한 신협일 것입니다. 2020년 한해, 또다시 우리는 여러분에게 보다 나은 혜택을 드리기 위하여 최선을 다할 것이며 여러분이 한인신협의 조합원인 것이 자랑스러우시도록 훌륭한 신협을 만들어 가기에 온 힘을 다 할 것입니다.

감사합니다.



전무 석 광 익



이사장 이 형 룰





CORPORATE INFORMATION

■ SENIOR MANAGEMENT TEAM

JOHN SUK

President and Chief Executive Officer

HAE SOO LEE

Chief Operating Officer

JAY YOON

Senior Finance Manager

RICHARD HC YOO

Senior Credit Manager

CHUCK LEW

Senior Systems Manager

SUSAN KIM

Senior Operations Manager

SHARON KIM

Vancouver Main Branch Manager

ADRIAN JEON

Coquitlam Branch Manager

ANNA RO

Port Coquitlam Branch Manager

YOUNJA CHUNG

Surrey Branch Manager

HELEN HWEWON JUN

Langley Branch Manager

■ BRANCH INFORMATION

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F: 604-582-7209

LANGLEY BRANCH

19535 Fraser Highway, Surrey, BC V3S 6K7

T: 604-530-6869

F: 604-530-6563

Website

www.sharons.ca

Facebook

facebook.com/sharonscu

Email

info@sharons.ca

■ MISSION STATEMENT

To be an innovative credit union devoted to the members and the community.

■ VALUES

INTEGRITY

We will operate with the utmost of integrity. Ethical management of members' entrusted wealth is a crucial key point for our prosperous growth.

INNOVATION

We will provide an innovative array of products and services to remain relevant to our members.

TRADITION

The roots of our organization are deeply embedded in the Korean community and we are proud to serve this community. At the same time, our mission to provide optimum financial advice and solutions is extended to all communities.

PROSPERITY

We will assist our members in achieving financial well-being through sharing financial advice and our knowledge in order to lead them toward prosperity.

COOPERATIVE

We instill cooperative thinking in our staff and members. We are stronger together as one.

DEVOTION

We exist to exert our best effort to build a credit union that best accommodates the needs of the members and the community. Our ultimate goal is to make Sharon's a credit union of the members, by the members and for the members.

■ OUR COMMON GOAL

- To Grow to a \$1 Billion Asset Credit Union
- To Branch Out Nationwide within Canada
- To Expand Community Support through Continued Sharing
- To Maintain Top Member Satisfaction



COMMUNITY SUPPORT

Sharons Credit Union's mission statement requires us to be an innovative credit union devoted to the members and the community. We recognize that our collective efforts to operate a successful financial institution should not only benefit our members, staff, volunteers and directors, but should benefit "our heritage and the aspirations of our community."

Sharons Credit Union's annual community support involves sponsorships, donations and scholarships.



신협이 이웃의 마음을 엽니다.

우리가 사는 세상,
행복한 미래를
어부바 하겠습니다.

TOTAL
CONTRIBUTION
TO COMMUNITY (2019)

\$ 130,244



INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

TO THE MEMBERS OF SHARONS CREDIT UNION

OPINION

We have audited the consolidated financial statements of Sharons Credit Union, which comprise the Consolidated Statement of Financial Position as at December 31, 2019 and the Consolidated Statements of Comprehensive Income, Changes in Members' Equity, and Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Sharons Credit Union as at December 31, 2019 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

BASIS FOR OPINION

We conducted our audit in accordance with Canadian generally-accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of Sharons Credit Union in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing Sharons Credit Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going



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concern basis of accounting unless management either intends to liquidate Sharons Credit Union, or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Sharons Credit Union's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally-accepted auditing standards we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. But not for the purpose of expressing an opinion on the effectiveness of Sharons Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Sharons Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause Sharons Credit Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Sharons Credit Union to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants
Vancouver, British Columbia
March 4, 2020

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended December 31	2019	2018
Assets		
Cash resources	\$ 51,248,007	47,841,483
Liquidity deposits	30,774,095	23,154,382
Investments	2,172,209	2,005,808
Member loans	420,222,038	376,990,153
Property and equipment	2,590,463	2,548,123
Right of use assets	639,423	-
Other assets	1,302,558	1,492,062
Total Assets	\$ 508,948,793	454,032,011
Liabilities		
Member deposits	\$ 481,611,191	419,605,880
Accounts payable and other liabilities	1,977,089	2,549,648
Derivative financial instruments	14,642	105,150
Demand loan facility	-	10,000,000
Lease liabilities	648,122	-
Member shares	7,091,939	5,767,452
Total Liabilities	\$ 491,342,983	438,028,130
Member's equity		
Member equity shares	\$ 945,382	828,822
Retained earnings	16,692,798	15,262,333
Accumulated other comprehensive loss	(32,370)	(87,274)
Total Member's Equity	\$ 17,605,810	16,003,881
Total Liabilities and Member's Equity	\$ 508,948,793	454,032,011

Approved on behalf of the Board:



Lee, Howard Hyung Yul
Director



Yoo, Victor Byungkyu
Director

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31	2019	2018
Interest revenue		
Loans	\$ 16,004,981	12,447,624
Cash resources and investments	1,083,429	1,505,546
	17,088,410	13,953,170
Interest expense		
Deposits	9,111,221	6,190,803
Loan impairment expense (recovery)	(88,774)	162,324
Net financial margin	8,065,963	7,600,043
Other income	2,269,201	2,030,730
Impairment loss	(275,000)	-
Financial margin and other income	10,060,164	9,630,773
Operating expenses		
Advertising and promotion	229,416	282,035
Cheque and Mastercard processing	123,591	122,769
Community events sponsorship	91,899	108,925
Data processing	690,918	630,507
Depreciation of property and equipment	415,146	210,298
Insurance and dues assessment	554,492	603,122
Lease interest expense	16,177	-
Office	450,970	459,851
Other administrative and management fee	383,843	353,013
Professional fees	340,804	314,823
Rent and utilities	471,703	606,785
Repairs and maintenance	27,862	36,360
Salaries and benefits	3,728,805	3,525,781
	7,525,626	7,254,269
Income before dividends on member deposit shares	2,534,538	2,376,504
Distribution to members	576,548	666,521
Income before income taxes	1,957,990	1,709,983
Income taxes - Current	343,192	216,841
Income taxes - Deferred	5,883	21,952
Provision for income taxes	349,075	238,793
Net income for the year	1,608,915	1,471,190
Other comprehensive loss for the year		
Change in unrealized gain (losses) on cash flow hedges	54,904	38,426
Total comprehensive income for the year	\$ 1,663,819	1,509,616

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN MEMBER'S EQUITY

For the year ended December 31		MEMBERS' SHARE	TOTAL ACCUMULATED OTHER COMPREHENSIVE LOSS	RETAINED EARNINGS	TOTAL
Balance at January 1, 2018	\$	706,894	(125,700)	13,941,425	14,522,619
Net Income		-	-	1,471,190	1,471,190
Distribution on members' equity shares		-	-	(150,282)	(150,282)
Share issuance (redemption) - net		121,928	-	-	121,928
Other comprehensive loss		-	38,426	-	38,426
Balance on December 31, 2018	\$	828,822	(87,274)	15,262,333	16,003,881
Net Income		-	-	1,608,915	1,608,915
Distribution on members' equity shares		-	-	(178,450)	(178,450)
Share issuance (redemption) - net		116,560	-	-	116,560
Other comprehensive gain		-	54,904	-	54,904
Balance on December 31, 2019	\$	945,382	(32,370)	16,692,798	17,605,810

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31	2019	2018
Cash provided by (used in)		
Operating Activities		
Income for the year	\$ 1,663,819	1,509,616
Adjustment for non-cash items:		
Depreciation of property and equipment	415,146	210,298
Deferred income taxes	5,883	21,952
Provision for loan (gain) losses	(88,774)	162,324
Unrealized (gain) loss on cash flow hedges	(90,511)	(20,550)
Dividend on membership equity shares	(178,451)	(150,282)
Impairment of property held for sale	275,000	-
	2,002,112	1,733,358
Change in other assets	(91,379)	(737,842)
Change in accounts payable and other liabilities	(572,559)	807,450
	1,338,174	1,802,966
Changes in member activities		
Change in member loans	(43,143,105)	(63,658,235)
Change in member deposits	62,005,311	67,784,818
	18,862,206	4,126,583
Total cash flows from operating activities	20,200,380	5,929,549
Investing activities		
Increase in investments, net	(7,786,114)	(4,350,974)
Purchase of property and equipment	(308,820)	(203,453)
Total cash flows from investing activities	(8,094,934)	(4,554,427)
Financing activities		
Change in membership shares, net	1,441,046	1,863,487
(Decrease) increase in demand loan	(10,000,000)	10,000,000
Payment of lease liabilities	(139,968)	-
Total cash inflows from financing activities	(8,698,922)	11,863,487
Increase in cash resources	3,406,524	13,238,609
Cash resources, beginning of year	47,841,483	34,602,874
Cash resources, end of year	\$ 51,248,007	47,841,483

Note 1. Summary Consolidated Financial Statements

These summary consolidated financial statements are derived from the complete audited consolidated financial statements, prepared in accordance with International Financial Reporting Standards, as at and for the year ended December 31, 2019.

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

The complete audited consolidated financial statements of Sharons Credit Union are available upon request.

CORPORATE GOVERNANCE REPORTS

GOVERNING LEGISLATION & REGULATION

The Credit Union is established under legislation of Province of British Columbia. It is regulated by the BC Financial Services Authority (BCFSA). Key legislation that regulate the operations of the Credit Union includes the Financial Institutions Act (FIA), the Credit Union Incorporation Act (CUIA) and applicable sections of the Business Corporation Act (B.C.). It is requirement of the legislation that the Credit Union provides to BCFSA monthly, quarterly and annual reports and filings, and other such reports as may be requested.

BOARD OF DIRECTORS

Sharons Credit Union is governed by a Board of Directors elected by the credit union's members. The Board of Directors continues to be committed to the highest standards of Corporate Governance in order to demonstrate our stewardship to members, employees and the communities we serve. The Sharons' Board always acts in good faith, with due diligence and in the best interest of its members, employees and the communities the Credit Union serves.

The Board of Directors of Sharons Credit Union comprises seven elected or appointed member representatives who serve terms that range from one to three years each. Directors approve Sharons' vision and strategy and oversee core business operations while building relationships with members and the community.

DUTIES OF THE BOARD

The Board operates by delegating certain of its responsibilities to Management and reserving certain power to itself. The Board's principal duties fall into the following main categories:

- I. Adopting and monitoring of strategic planning;
- II. Having competent CEO in place;
- III. Managing enterprise risk;
- IV. Communicating with stakeholders;
- V. Keeping the integrity of corporate internal control and management information systems;
- VI. Enacting effective governance practices.

Board is also accountable for representing the interests of members, overseeing the operations of the credit union and representing Sharons Credit Union in the community.

SHARONS' BOARD OF DIRECTORS

DIRECTOR	HOWARD LEE Board Chair	Jl HAN KIM Vice Chair ¹	TACK HUN SONG	HA SUNG JUNG	SEBASTIAN JUNG	TAE IN KWON	BYUNG KYU YOO
AUDIT & RISK			Member	Member	Member	Member	Chair*
CONDUCT REVIEW		Member	Member	Chair*			Member
INVESTMENT & LENDING		Member	Member		Chair*		Member
GOVERNANCE & HR	Member	Member				Chair*	Member
NOMINATING		Chair*			Member	Member	
COMMUNITY SUPPORT ²	Member			Member			
REAL ESTATE ³	Member				Chair*		

¹ Jong Uk Park served as Vice-Chair until August 2019.

² Committee Chair: John Suk, Member: Joanne Choi

³ Committee Member: John Suk & Richard Yoo

HOWARD HYUNG YUL LEE	
POSITION	CHAIR OF THE BOARD
DIRECTOR SINCE	2015
TERM	Currently serving a second term (2018-2021)
BACKGROUND	Howard Hyung Yul Lee has been a member of the Board of directors at Sharons Credit Union since 2015 and currently holds the position as Chair of the Board. Howard is a dedicated member contributing years of prized management experience to the Board and effectively brings the directors into a coherent whole. Howard holds a Master's degree in Finance from the University of Dallas and has 25 years of experience as a District Sales Manager at the Korean Airline Vancouver District Office. With a high focus on member well-being and community development, Howard is respected as a credible voice for the Board.

JOHN JIHAN KIM	
POSITION	VICE-CHAIR OF THE BOARD
DIRECTOR SINCE	2001 – 2011, AND 2013 – 2016
TERM	Currently serving a seven term (2019-2022)
BACKGROUND	John Jihan Kim has been a member of the Board of directors at Sharons Credit Union since 2001, where he contributes his valuable insight of Greater Vancouver's growth and prospective. As an early Korean immigrant, John has witnessed Vancouver's evolving economic growth since 1968. Having served as President of the Vancouver Korean Society in the 90s, and maintaining his position as Director of the credit union for a decade since 2001, John is recognized for his ability to voice the community perspective and proudly performs his duty as a director of a credit union focused on community growth.

TACK HUN SONG	
POSITION	DIRECTOR
DIRECTOR SINCE	2012-2015, AND 2019-2021
TERM	-
BACKGROUND	Tack Hun Song, appointed in 2019, is a second term board member of Sharons Credit Union. Tack Hun received his Bachelor of Pharmacy degree from Seoul National University. He has over 32 years of experience as a pharmacist. He is passionate about advancing pharmacy practice so the pharmacist can deliver better patient care to our communities. Tack Hun has been a member of the Sharons Credit Union Board of Directors from 2012 to 2015 and has served on various committees during that time.

HA SUNG JUNG	
POSITION	DIRECTOR
DIRECTOR SINCE	2017
TERM	Currently serving a first term (2017-2020)
BACKGROUND	Ha Sung Jung, elected in 2017, is a first-term board member of Sharons Credit Union involved in the community as an accomplished businessman. Attributed to his specialization in Business Management and exposure to the current commerce market, Ha Sung contributes professional operational insight. With having served as a board member at Vancouver Korean-Canadian Scholarship Foundation and current involvement as an Advisor for the Korean Veteran Association, Ha Sung is an active community engaged member dedicated to the well-being of the credit union.

SEBASTIAN JUNG	
POSITION	DIRECTOR
DIRECTOR SINCE	2016
TERM	Currently serving a second term (2019-2022)
BACKGROUND	As a Chartered Professional Accountant (CPA, CGA, CA), Sebastian has maintained a long-term relationship with the credit union for 10 years as an external auditor. Sebastian currently holding his position as Chair of the Investment & Lending Committee, and he brings a strong financial knowledge base in risk management and Finance to the credit union. With direct relevant exposure, Sebastian's focus lies in potential risks to the sustainability and profitability of the credit union. Sebastian is a key member of the Board for voicing awareness and knowledge in risk management.

TAE IN KWON	
POSITION	DIRECTOR
DIRECTOR SINCE	2018
TERM	Currently serving a first term (2018-2021)
BACKGROUND	Tae In Kwon, elected in 2018, is a first term board member of Sharons Credit Union. Tae In has over 36 years of experience as an Engineering Technologist in Telus Communication. His educational background and experience, skills and passion are just some of his attributes that enable him to provide valuable input to the Board. Tae In currently holding his position as Chair of the Governance & Human Resource Committee, and he brings wisdom, judgement and influence to the Board room.

VICTOR BYUNGKYU YOO	
POSITION	DIRECTOR
DIRECTOR SINCE	2011, AND 2014 - 2017
TERM	Currently serving a third term (2017-2020)
BACKGROUND	Victor Byungkyu Yoo has been a member of the Board of directors at Sharons Credit Union since 2011. Currently holding his position as Chair of the Audit and Risk Committee, Victor is distinguished by his abilities in analytical analysis and financial acumen. Holding years of valued experience as a Chartered Professional Account, Victor's background is deeply rooted in the financial sector having served as an Internal Auditor for financial institutions in Korea. Identifying potential top risks, Victor effectively governs the safety and security of the credit union.

2019 PAST DIRECTOR

The following Director served Sharons credit union Board until August 2019.

JONG UK PARK	
POSITION	DIRECTOR
DIRECTOR SINCE	2015
TERM	2018 – 2019
BACKGROUND	As a Lawyer, John's governance experience comes from serving as Director at the National Unification Advisory Council of Korea and Vancouver Korean Canadian Scholarship Foundation. John has also contributed his time as a Legal Advisor to the Korean Society of British Columbia and the Consulate General of the Republic of Korea. With such respectable experience John contributes his sound legal perspective in governing the credit union.

EDUCATION / TRAINING

Sharons Credit Union recognizes the importance of education and training for directors to ensure effective oversight of the credit union and ensure its directors understand the financial industry and the issues that credit unions face.

Since 1988, all new directors elected or appointed to a credit union in British Columbia are required to complete mandatory director training. Each Director who is elected or appointed required to complete Level A of the Credit Union Directors Achievement (CUDA) Program within one year of becoming a director.

In addition to this, Sharons Credit Union Board of directors attended a number of education training, seminars and other events and conferences within the credit union system. The following is a list of training sessions held in 2019:

ATTENDEES	EDUCATION / TRAINING
ALL BOARD MEMBERS	Role Clarity and Risk Ownership around Board Table
ALL BOARD MEMBERS	AML and Compliance
HOWARD HYUNG YUL LEE (BOARD CHAIR)	Central 1 Member Forum & AGM Stabilization Central Credit Union AGM CUDA Level B HR Governance CUDA Level C The Role of the Audit Committee
HA SUNG JUNG	CUDA Level C The Role of the Audit Committee
SEBASTIAN JUNG	CUDA Level B HR Governance
JOHN JI HAN KIM	CUDA Level C The Role of the Audit Committee
TAE IN KWON	CUDA Level C The Role of the Audit Committee
JOHN JONG UK PARK	CUDA Level B HR Governance
VICTOR BYUNGKYU YOO	CUDA Level C The Role of the Audit Committee

REMUNERATION / EXPENSES

Directors spend considerable time and effort carrying out their duties with care and due diligence against a backdrop of potential exposure to financial, reputation and personal risk. In recognition of their service to Sharons Credit Union, directors receive remuneration. The amount is reviewed annually by the Board's Governance & Human Resources Committee.

Sharons Credit Union also recognizes that directors will incur expenses as they carry out their duties during the Board year. The Director Expense Policy sets out the types of expenditure covered by the credit union, and, as contained in that policy, directors are expected to exercise discretion and good judgment in determining what is a reasonable and proper expense to be incurred on behalf of Sharons Credit Union and demonstrate a good example for the use of credit union resources.

DIRECTOR REMUNERATION	
\$ 7,000	ANNUAL BOARD CHAIR RETAINER
\$ 4,000	ANNUAL COMMITTEE CHAIR RETAINER
\$ 3,000	ANNUAL DIRECTOR RETAINER

BOARD ATTENDANCE

NAME	MEETING ATTENDANCE (JAN - DEC 2020)	MEETING FEE	POSITION FEE	TOTAL AMOUNT
HOWARD HYUNG YUL LEE	31	\$ 8,200.00	\$ 7,000.00	\$ 15,200.00
HA SUNG JUNG	22	\$ 5,300.00	\$ 4,000.00	\$ 9,300.00
SEBASTIAN JUNG	23	\$ 5,450.00	\$ 4,000.00	\$ 9,450.00
JOHN JI HAN KIM	25	\$ 6,000.00	\$ 4,000.00	\$ 10,000.00
TAE IN KWON	23	\$ 5,500.00	\$ 4,000.00	\$ 9,500.00
JOHN JONG UK PARK	15	\$ 3,650.00	\$ 2,667.00	\$ 6,317.00
VICTOR BYUNGKYU YOO	27	\$ 6,500.00	\$ 4,000.00	\$ 10,500.00

CEO DISCLOSURE

CEO COMPENSATION PHILOSOPHY

The Compensation Philosophy is to help attract, motivate, and retain top-level CEO talent and to reinforce a results-oriented culture to deliver sustained high performance to our members and the community.

The Compensation philosophy is to define the desired market positioning (i.e. to pay at the average or median of the relevant market, or to target at the higher end (e.g. the 75 percentile) for specific reasons/strategies.) Other factors influencing the pay strategy may include: economic conditions, strategic direction, pay mix (base plus variable) and overall ability to pay.

Sharons Credit Union's Employee Compensation Philosophy applies equally to the CEO compensation. The CEO compensation consists of a base salary and benefits and insurance.

The CEO's full compensation package is reviewed by the Board annually based on comparison to a peer group. The Board carefully selects this peer group through a review of the Compensation Survey in Canadian Credit Union System provided by Central 1.

CEO COMPENSATION SUMMARY

The CEO's full compensation package is reviewed by the Board annually based on comparison to a peer group. The Board carefully selects this peer group through a review of the Compensation Survey in Canadian Credit Union System provided by Central 1. Sharons target the 50th percentile for base salary when the annual goal of performance is achieved. For the fiscal year ending December 31, 2019, the CEO earned the total compensation in the amount of \$280,728.00 (which includes Base Salary & Bonus, Vacation, RRSP Pension, Health Benefit, and Car Allowance)

BENEFITS, PENSION AND PERQUISITES

The Health and Wellness Benefits provided to the CEO are consistent with those received by all other employee groups within Sharons Credit Union. The pension plan is also consistent with all other employees where a percentile of the previous year's earning prescribed in the HR Policy is being deposited into a RRSP account with the credit union.

No additional benefits and perquisites are provided to the CEO.

CREDIT UNION COMPENSATION POLICIES

Compensation for all Sharons Credit Union employee is governed by the Compensation Philosophy set in the credit union's HR Policy. Sharons' compensation practices are as follows:

ANNUAL BASE SALARY

Salary ranges are developed in accordance with our compensation philosophy. Base salary levels are determined by performance, knowledge, skills, and experience of the employee.

BONUS PLAN

The annual Sharons Credit Union bonus plan is set and offered each year at the discretion of CEO and Board of Directors, based on a minimum level of profit being achieved and pay-outs are not guaranteed. Every employee plays an important role in the success of the credit union and through this plan staff is able to share in the success.

HEALTH AND WELLNESS BENEFIT

Sharons Credit Union provides a comprehensive benefit program. Full-time permanent employees are eligible for full benefits coverage at the end of 6 months employment probationary period but dental coverage will be eligible after completing the first year of employment. Part-time employees, once eligible (completed probation and continuous work of 1 year period working days), participate in the benefits plan which will be same as a full timer.

PENSION PLAN

Plan contributions made by Sharons Credit Union are based on the employee's previous year's salary and years of employment and invested in the term deposit type RRSP at the credit union. Contributions made by employee must be matched with credit union's contributions.

