

2020 Financial Report

Caisse Desjardins de la Culture

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March 13, 2021

Report on the results of applying specified auditing procedures to the financial report of the Caisse Desjardins de la Culture (the “Caisse”) prepared by the management of the Caisse

To the members of the *Fédération des caisses Desjardins du Québec*

We are the independent auditor of the separate combined financial statements of the Desjardins caisses in Quebec (the “combined financial statements of the Desjardins caisses”), on which we expressed an unmodified opinion on February 24, 2021.

With respect to the accompanying financial report of the Caisse prepared by the management of the Caisse, we were engaged by the members of the *Fédération des caisses Desjardins du Québec* to agree the financial information contained in the financial report of the Caisse with the accounting records that include the Caisse’s specific accounting adjustments and were used to prepare the combined financial statements of the Desjardins caisses in Quebec for the year ended December 31, 2020 (the “procedures”).

We confirm that we agreed all financial information contained in the accompanying financial report of the Caisse for the year ended December 31, 2020 with the accounting records that include the Caisse’s specific accounting adjustments and were used to prepare the combined financial statements of the Desjardins caisses in Quebec for the year then ended, and we confirm that we found no exceptions.

In particular, as part of our procedures, we agreed the following financial information of the Caisse:

Total assets:	443,336,000	\$
Total equity:	26,190,000	\$
Net surplus earnings for the year after member dividends :	2,471,000	\$

These procedures do not constitute an audit of the financial report of the Caisse as at December 31, 2020, and therefore we express no opinion on the financial report of the Caisse as at December 31, 2020.

*PricewaterhouseCoopers LLP*¹

¹ CPA auditor, CA, public accountancy permit No. A111799

BALANCE SHEET (unaudited)

(in thousands of Canadian dollars)	As at December 31, 2020	As at December 31, 2019
ASSETS		
Cash and deposits with financial institutions	\$ 5,367	\$ 4,925
Investment in liquidity fund under management	24,562	19,362
Loans		
Residential mortgages	320,096	248,623
Consumer and other personal loans	6,806	6,753
Business and government	66,973	67,670
	393,875	323,046
Allowance for credit losses	1,176	299
	392,699	322,747
Investments in the Federation	9,009	8,518
Other assets		
Derivative financial instruments	8,742	6,931
Right-of-use assets	631	742
Property, plant and equipment	493	551
Other	1,833	1,743
	11,699	9,967
TOTAL ASSETS	\$ 443,336	\$ 365,519
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits		
Individuals	\$ 160,428	\$ 134,759
Business and government	215,300	154,222
	375,728	288,981
Borrowings	32,801	46,915
Other liabilities		
Derivative financial instruments	3,739	1,009
Lease liabilities	775	884
Net defined benefit plan liabilities	1,668	1,726
Other	2,435	2,308
	8,617	5,927
TOTAL LIABILITIES	417,146	341,823
EQUITY		
Capital stock	462	562
Distributable surplus earnings	3,167	3,168
Accumulated other comprehensive income	139	84
Reserves	22,422	19,882
TOTAL EQUITY	26,190	23,696
TOTAL LIABILITIES AND EQUITY	\$ 443,336	\$ 365,519

STATEMENT OF INCOME
 (unaudited)

For the years ended December 31

(in thousands of Canadian dollars)	2020	2019
INTEREST INCOME	\$ 11,150	\$ 11,347
INTEREST EXPENSE	3,103	4,162
NET INTEREST INCOME	8,047	7,185
OTHER INCOME	2,368	2,656
PROVISION FOR CREDIT LOSSES	919	37
NON-INTEREST EXPENSE		
Salaries and fringe benefits	2,332	2,405
Assessments paid to Desjardins Group components	797	770
Computer services and other agreements	638	789
Community development expenses	149	270
Other	1,718	1,660
	5,634	5,894
OPERATING SURPLUS EARNINGS	3,862	3,910
Income on investments in the Federation	501	544
Loss on fair value of derivative financial instruments	(767)	(453)
SURPLUS EARNINGS BEFORE TAXES AND MEMBER DIVIDENDS	3,596	4,001
Income taxes on surplus earnings	686	925
SURPLUS EARNINGS BEFORE MEMBER DIVIDENDS	2,910	3,076
Member dividends	598	537
Tax recovery on member dividends	(159)	(143)
NET SURPLUS EARNINGS FOR THE YEAR AFTER MEMBER DIVIDENDS	\$ 2,471	\$ 2,682

STATEMENT OF CHANGES IN EQUITY
(unaudited)

For the years ended December 31

	Capital stock	Distributable surplus earnings	Accumulated other comprehensive income	Reserves							Total equity	
				Appreciation reserve (investments in the Federation's investment funds)	Appreciation reserve (derivative financial instruments)	Appreciation reserve (employee benefit plans)	General reserve	Stabilization reserve	Reserve for future member dividends	Community Development Fund		Total reserves
(in thousands of Canadian dollars)												
BALANCE AS AT DECEMBER 31, 2018	\$ 835	\$ 3,472	\$ (79)	\$ 1,987	\$ 750	\$ (1,010)	\$ 14,565	\$ 669	\$ -	\$ 301	\$ 17,262	\$ 21,490
Net adjustment for interest on permanent shares	-	-	-	-	-	-	1	-	-	-	1	1
Allocation to reserves adopted by the members at the general meeting	-	(3,472)	-	-	-	-	1,119	-	2,178	175	3,472	-
Net adjustment for member dividends	-	-	-	-	-	-	-	-	1	-	1	1
Balance after distribution	835	-	(79)	1,987	750	(1,010)	15,685	669	2,179	476	20,736	21,492
Net surplus earnings for the year after member dividends	-	2,682	-	-	-	-	-	-	-	-	-	2,682
Other comprehensive income for the year	-	(358)	163	-	-	-	-	-	-	-	-	(195)
Statutory transfer	-	252	-	350	(327)	(275)	-	-	-	-	(252)	-
Net amounts used during the year	-	593	-	-	-	-	-	-	(395)	(198)	(593)	-
Redemption of permanent shares	(275)	-	-	-	-	-	-	-	-	-	-	(275)
Other net change in capital stock	2	-	-	-	-	-	-	-	-	-	-	2
Interest on permanent shares	-	-	-	-	-	-	-	(9)	-	-	(9)	(9)
Net adjustment for member dividends	-	(1)	-	-	-	-	-	-	-	-	-	(1)
BALANCE AS AT DECEMBER 31, 2019	\$ 562	\$ 3,168	\$ 84	\$ 2,337	\$ 423	\$ (1,285)	\$ 15,685	\$ 660	\$ 1,784	\$ 278	\$ 19,882	\$ 23,696
Net adjustment for interest on permanent shares	-	-	-	-	-	-	1	-	-	-	1	1
Allocation to reserves adopted by the members at the general meeting	-	(3,168)	-	-	-	-	2,027	-	966	175	3,168	-
Net adjustment for member dividends	-	-	-	-	-	-	18	-	-	-	18	18
Balance after distribution	562	-	84	2,337	423	(1,285)	17,731	660	2,750	453	23,069	23,715
Net surplus earnings for the year after member dividends	-	2,471	-	-	-	-	-	-	-	-	-	2,471
Other comprehensive income for the year	-	76	55	-	-	-	-	-	-	-	-	131
Statutory transfer	-	70	-	450	(571)	51	-	-	-	-	(70)	-
Net amounts used during the year	-	568	-	-	-	-	-	-	(457)	(111)	(568)	-
Equity transactions related to the investments in the Federation	-	-	-	(10)	-	-	-	-	-	-	(10)	(10)
Redemption of permanent shares	(100)	-	-	-	-	-	-	-	-	-	-	(100)
Interest on permanent shares	-	-	-	-	-	-	-	(2)	-	-	(2)	(2)
Net adjustment for member dividends	-	(18)	-	-	-	-	-	-	-	-	-	(18)
Equity transactions relating to related party transactions	-	-	-	(4)	-	7	-	-	-	-	3	3
BALANCE AS AT DECEMBER 31, 2020	\$ 462	\$ 3,167	\$ 139	\$ 2,773	\$ (148)	\$ (1,227)	\$ 17,731	\$ 658	\$ 2,293	\$ 342	\$ 22,422	\$ 26,190

NOTE TO THE FINANCIAL REPORT (unaudited)

NOTE 1 – TYPE OF OPERATIONS AND BASIS OF ACCOUNTING

Caisse Desjardins de la Culture (the caisse) is a cooperative whose purpose is to accept and help grow the savings of its members, as well as to extend credit and provide other financial products and services to its members. Its mission also includes fostering cooperation and promoting economic, social and cooperative education. It is governed by the *Act Respecting Financial Services Cooperatives* (the Act).

The caisse is registered with the Autorité des marchés financiers in Quebec. It is also a member of the Fonds de sécurité Desjardins, whose main purpose is to establish and administer a security, liquidity and mutual aid fund for the benefit of Desjardins caisses in Quebec.

The caisse is a member of the Fédération des caisses Desjardins du Québec (the Federation), which controls other components that together make up Desjardins Group.

This financial report has been prepared in accordance with the requirements set out in the Act. The caisse applies accounting policies similar to those used to prepare the Combined Financial Statements of the Desjardins caisses in Quebec, which are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. Some figures from the prior year were reclassified for consistency with the presentation of the current year's financial statements. This reclassification did not affect the caisse's surplus earnings or total assets and liabilities.