



**WE
BELIEVE**



awccu financial
2017
ANNUAL REPORT

A group of people, mostly women, are in a dance studio. They are wearing dark clothing and are in various poses, some with arms raised. The floor is light-colored wood. A large, semi-transparent red hexagon is overlaid on the center of the image, containing white text. The background is slightly blurred, showing a large window or screen on the right side.

OUR HISTORY **SINCE 1938**

The Corporate Values of AWCCU Financial are the same today as they were since our founding on April 2, 1938— the well-being of our members, employee's, and the communities we serve. AWCCU Financial is a financial service co-operative, therefore our values are still centered on our belief

People helping People.



'We Believe' is a plan that starts AWCCU Financial on the journey to become Eastern Ontario's credit union. Rooted in our belief that we are People Helping People, this roadmap will guide us in the next year in preparing for our 2019-2021 strategic plan.

We believe in putting our members first by taking the time and making it easy for all members to achieve their financial goals. **We believe** in helping our members, staff, and community to be the best version of themselves. **We believe** in finding solutions for problems that exist today. **We believe** in integrity, transparency and respect. **We believe** in our community, we are all in this together and we live here, too.



OUR VISION

AWCCU Financial is a financial service co-operative. People helping people is why we exist. The vision of AWCCU Financial is to be the primary Financial Institution for our members by building lifelong relationships, one member at a time.

OUR MISSION

The mission of AWCCU Financial is to earn our members trust and confidence by providing quality products and services in an efficient and professional manner by motivated employees who share our organizational success.



OUR VALUES

The Corporate Values of AWCCU Financial are the same today as they were since our founding on April 2, 1938— the well-being of our members, employees and the communities we serve.



BUILD TOGETHER

2017 was a year of amazing change for AWCCU Financial, but it also marked the beginning of a return back to our roots of community-focused advice. AWCCU Financial was built on the vision of people helping people. The year ahead will be centered around this vision, as we strive to become the primary financial institution for our members by building lifelong relationships, one member at a time.

Our success depends on earning our members' loyalty by providing great value through great advice. Our advisors need to be in the right place, at the right time, with the right knowledge with a clear direction.

To meet this goal, we invested in our staff through additional training to add to our credibility and expertise. Investing in learning and development will be a key part of our long-term strategy. We also began an organizational design project to ensure we had the right people in the right roles and that they were set up for success. Our sights are set on completing the work on our design in the first half of 2018.

In 2017 we worked to make our members, staff, and community the best version of themselves—because

we live here, too. These themes will continue into 2018 from the strategy built this year.

We were happy to partner with great organizations like the Robert McLaughlin Gallery, Durham Region Film Festival, Durham Deaf Services, and the Backdoor Mission in 2017. We look forward to partnering with other great organizations such as the Business Advisory Centre Durham and more new exciting events in 2018.

We have goals of building a strong foundation in 2018 and delivering on our plan in the 2019-2021 cycle. We're aiming to be to be the largest credit union based East of Toronto in ten years. Further, we have aspirations of being a top employer in Canada; providing great, innovative community investment; and a great dividend back to our members.

I would like to thank all of you for being members. Together we are building something great.

Looking forward to building together,



Chris Inniss
CEO

A peek at **SOME** initiatives we supported in 2017:

Walk for Alzheimer's | Sunrise BBQ | Backdoor Mission's Professor of Funk and Friends Christmas Concert | Friends of the Second Marsh | Heart & Stroke Big Bike | International Women's Day Breakfast | Humane Society of Durham Region Cupcake Day | Help from Hol Baseball Tourney The Robert McLaughlin Gallery's RMG Fridays | Durham Region International Film Festival Salvation Army Food Drive | Salvation Army Angel Christmas Tree Toy Drive | Durham Deaf Services

CHAIR'S REPORT

This past year we reflect on the successful contributions of our members, staff, and leadership team. Our staff and management team continue to provide remarkable service, professionalism and creativity to serve the needs of our members. Our board is very grateful in the commitment and leadership they show towards our organization. Our staff have developed the relationships with members, and members remind us of this every day.

“We're looking forward to the ways AWCCU Financial can **INVEST** in our community.

Our credit union changes a little every year, as our members change and their families grow, we have a great opportunity to return to the values of cooperative banking. The fastest growing university in Ontario is just 7 kilometers from our main branch, and the fastest growing housing development in Durham region is located just north of downtown. We have great potential to expand our tradition and history by welcoming new members, ideas, and opportunities with the strong foundation our members built in 1938.

With renewal and refreshing faces around the board table, your directors have undergone rewarding skill development opportunities through programs and workshops shared by the Credit Union system. Also, the Deposit Insurance Corporation of Ontario (DICO) continues to place director's skills and competency as a significant factor in maintaining Ontario's strong credit union system. Our board will continue to meet and exceed these important core competencies as we move into 2018.

Our Board looks forward to building a strong, vibrant credit union with our cooperative principals as we surpass any challenges we face in the coming year. Through our heritage, compassion, and strength we pursue both economic viability and social responsibility; we look forward to strengthening our commitment to you.

It is our responsibility to ensure long term sustainability, and we're looking forward to the ways AWCCU Financial can invest in our community. We are pleased to have added bright young talent to our organization with the hiring of Chris Inniss as our CEO.



John MacDonald
Chair
Board of Directors



GIVING BACK



“ AWCCU Financial generously provides funding for RMG Fridays. Enjoyed by over 3,100 people last year, their support has had immeasurable impact not only to those members who have been given the opportunity to share, explore and engage in the arts, but also to the local businesses and organizations who display their purpose.

— The Robert McLaughlin Gallery



“ AWCCU's involvement in the Durham Region International Film Festival was monumental. The support they provide is pivotal in growing and expanding art and culture in Durham and helping us create an event that the region can take pride in! AWCCU's contribution to DRIFF shows their commitment to investing in community.

— Durham Region International Film Festival

“ Big thanks to AWCCU Financial for being a great part of this community and supporting us in continuing and expanding the work at the Back Door Mission for the Relief of Poverty! Thank you for being a cornerstone in supporting our production costs, every single dollar you put in goes straight to the work at the Mission.

— Professors of Funk and Friends Christmas Concert



How will we **WIN** at AWCCU?

Our focus is to exceed our members' expectations in our commitment to their financial success while operating in an ethical and financially sound manner.

Members will choose us because:



Customized Solutions

We will offer customized solutions, specifically in commercial.



Solve Problems

We will help our members solve problems.



Financial Coaching

We will offer financial coaching and planning for members, even those who are just starting their savings.



Build Relationships

We will keep our turnover low, allowing us to build strong, long-term relationships.



Ease of Service

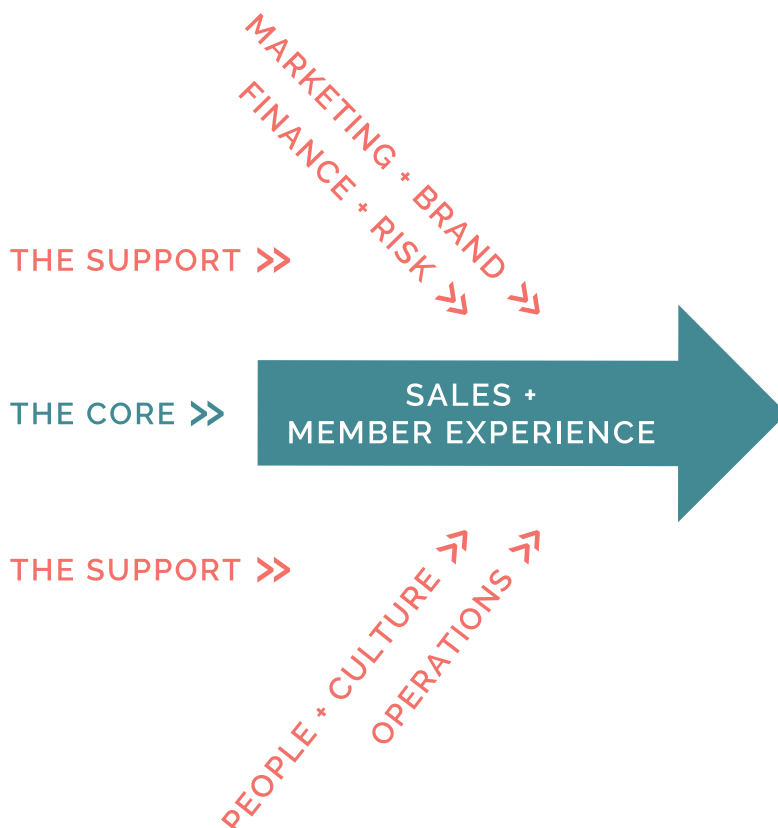
We will be VERY easy to deal with.



Empower Staff

We will foster the ability and desire of staff to act in empowered ways.

“Aligning our team to **SUPPORT** the member experience is at the **CORE** of achieving our strategy.”



How will we **BUILD** at AWCCU?

1 MEMBER CENTRICITY

AWCCU Financial will be a member centric organization. We will provide our members with the best, customized solutions and advice. Our advisors will value relationship management and focus on building our most engaged members.

We believe in having our members' backs. Our focus on member centricity will allow us to build wallet share with our members. We want our members to know we have their back and their best interests in mind. We will utilize tools, knowledge and experience to give them meaningful advice to improve their financial health, no matter where they are starting from. We will build deep, meaningful relationships with our members.

2 FINANCIAL PERFORMANCE

AWCCU Financial will deliver real and sustainable impact in the Durham Region. We will be seen as a leader in pairing well-executed community investment with business development and strong financial performance.

We believe in co-operative community banking. In 2018 we will improve our capital position using primarily retained earnings. We will increase our financial margin by understanding and diversifying our assets. We will improve our gross margin by optimizing our business lines including commercial, wealth management, and insurance.

3 OPERATIONAL EXCELLENCE

AWCCU Financial will make it easy for members. We will put projects through a managed process that values change management and efficiency.

We believe in taking the time and making it easy. We will look to put key decision making power in the hands of our advisors so they can efficiently say yes and provide members with the solutions they need.



We will make our processes easy so our members and their advisors don't have to jump through hoops. We will build our data and use data and facts at the forefront of decision-making.

4 ENGAGEMENT AND ELEVATION

AWCCU Financial will focus on developing staff into the best they can be. Our leaders will focus on opening doors for our staff.

AWCCU has an amazing group of tenured staff with a lot of knowledge. We will continue to build the capabilities of our staff through new training, certifications and learning plans. We will develop an equitable performance management system that allows our staff to be the best they can be. We have a strong relationship with our employee union and will only be looking to improve this relationship. The key to member centricity is knowledgeable, engaged and empowered staff.



AUDIT COMMITTEE REPORT

The Audit/Risk Committee of AWCCU Financial is a committee of the Board of Directors and operates under Section 125 of the Credit Unions and Caisse Populaires Act of 2007.

The committee is elected annually and consists of: Doug Sanders, Chairperson, John MacDonald Chair of the Board, Loreen Potter Audit Vice Chair, Arnold DeMan, Francine Saunders and Chris White.

Total assets increased from \$373,154,143 in 2016 to \$416,638,931 in 2017.

There has been a change in accounting practices starting 2018 to IFRS9, Management is working through the process and implementation.

» Reviewed the monthly Internal 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 our Government Regulators.

» The Committee held eleven (11) regular meetings during the year; the Committee also met quarterly with the internal auditor to discuss audit findings and recommendations as well as reviewing all material internal control issues. The committee reviewed management's response to all internal audit recommendations. The Audit Committee has worked with and set plans with PRA our Internal Auditors

» Reviewed all of the Policies and Procedures and controls of the Credit Union which relate to legislative compliance with a particular focus on Credit Management, ERM Risks, Investments, Interest Rate Risk Management, Liquidity Management, Corporate Governance, Conflict of Interest and Capital Management as these Policies are specified in the Act or by the Deposit Insurance Corporation of Ontario (DICO).

» 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 syndicate loans with Central-1..

» The Committee served as the principle communication link between the External Auditor and the Board of Directors and in particular reviewed 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.

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AUDIT COMMITTEE REPORT *cont...*

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 DICO's 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 timeframe during the 2017 fiscal year.

Respectfully Submitted,



Doug Sanders John MacDonald Arnold DeMan
Loreen Potter Francine Saunders Chris White

Where do we want to be **TEN YEARS** from now?



Largest locally-owned credit union East of Toronto with \$10 Billion in assets and \$10 Billion off-book — making us one of the largest contributors to Durham's GDP.



Our members are known for strong financial health when compared to Canadian averages.



Making impactful community investments because we are all in this together and we live here, too.



Top 10 employer in Canada, with highly engaged staff, and a customer centric culture.

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

To the Members of
AUTO WORKERS COMMUNITY CREDIT UNION LIMITED

The accompanying financial statements, which comprise the summary statement of financial position at December 31, 2017 and the summary statement of comprehensive income for the year then ended, are derived from the audited financial statements of Auto Workers Community Credit Union Limited for the year ended December 31, 2017. We expressed an unqualified audit opinion on those financial statements in our report dated January 24, 2018. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Auto Workers Community Credit Union Limited.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of a summary of the audited financial statements in accordance with International Financial Reporting Standards.

Auditor's Responsibility

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

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of Auto Workers Community Credit Union Limited for the year ended December 31, 2017 are a fair summary of those financial statements, in accordance with International Financial Reporting Standards.

Tinkham LLP
Chartered Professional Accountants

Toronto, Ontario
January 24, 2018



Licensed Public Accountants

SUMMARY STATEMENT OF FINANCIAL POSITION

As at December 31

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 12,248,304	\$ 5,162,538
Investments	29,980,486	28,271,533
Accrued interest	498,712	453,583
Receivables and prepaid expenses	1,564,656	722,237
Income taxes receivable	124,972	-
Member loans receivable	366,186,945	332,414,953
Pension asset	259,000	-
Deferred income tax asset	1,805,182	1,620,772
Derivative financial instruments	40,778	29,729
Capital assets	3,969,577	4,478,798
	\$ 416,678,612	\$ 373,154,143
LIABILITIES, MEMBER ENTITLEMENTS AND MEMBERS' EQUITY		
Demand loan payable	\$ -	\$ 5,000,000
Accounts payable and accrued liabilities	3,096,727	2,640,916
Income taxes payable	-	138,476
Future pension obligation	-	89,600
Obligation for post-employment benefits other than pensions	5,165,300	4,751,700
Derivative financial instruments	40,778	29,729
Mortgage securitization liabilities	52,068,327	-
Members' accounts and deposits	333,440,606	338,762,806
Accrued member interest, dividends and patronage return	1,888,997	1,855,927
Members' share capital	10,294,582	10,396,709
Retained earnings	15,172,882	12,796,438
Accumulated other comprehensive loss	(4,489,587)	(3,308,158)
	\$ 416,678,612	\$ 373,154,143

Approved on behalf of the Board:


Director


Director

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

SUMMARY STATEMENT OF COMPREHENSIVE INCOME

As at December 31

	2017	2016
Interest income		
Residential mortgage loan interest	\$ 10,871,174	\$ 10,365,148
Commercial loan interest	797,631	1,041,281
Personal loan interest	495,065	579,717
Investment interest and dividends	401,152	233,873
	<u>12,565,022</u>	<u>12,220,019</u>
Interest on members' accounts and deposits	4,365,413	4,490,456
Interest on external borrowings	538,428	94,011
	<u>4,903,841</u>	<u>4,584,467</u>
Financial margin	7,661,181	7,635,552
Other income	2,685,264	4,117,910
	<u>10,346,445</u>	<u>11,753,462</u>
Expenses		
Currency costs and bank charges	162,402	248,239
Data processing and networking	587,456	665,734
Depreciation	509,221	479,785
D.I.C.O insurance and F.S.C.O. assessment	298,254	314,266
Insurance	102,569	95,206
Marketing and development	121,447	127,128
Member services	682,202	848,544
Occupancy costs	523,197	548,020
Office	90,962	100,863
Provision for impairment losses on member loans	150,000	150,000
Salaries and employee benefits	4,071,517	4,954,333
	<u>7,299,227</u>	<u>8,532,118</u>
Income before dividends and patronage return and provision for taxes	3,047,218	3,221,344
Dividends and patronage return	30,983	30,554
Net income before provision for income taxes	3,016,235	3,190,790
Provision for current income taxes	372,114	463,910
Provision for deferred income taxes	119,937	23,124
Net income for the year	<u>\$ 2,524,184</u>	<u>\$ 2,703,756</u>
Other comprehensive income (loss), net of tax		
Reclassification of realized gains on available-for-sale investments	(586,910)	16,463
Actuarial losses on employee future benefits	(594,519)	(577,589)
Net comprehensive income for the year	<u>\$ 1,342,755</u>	<u>\$ 2,142,630</u>

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

