



2018 ANNUAL REPORT

As Durham Region's largest locally owned Credit Union, we're known for being in the community, supporting local, and in your corner.

Community MATTERS

We are Durham Region's largest **LOCALLY OWNED** credit union.

What makes us **DIFFERENT?**
We support where YOU live.

WHY?
Because #WeLiveHereToo



BUILD STRONG OUR COMMITMENT



FAST AND EASY

We focus on making interactions with us easy, building a relationship with us easy, and above all, staying with us, easy.



GENUINE RELATIONSHIPS

We provide the best solutions for our members, building long-lasting, loyal relationships with our membership.



CUSTOMIZED SOLUTIONS

We build personalized packages for our members. Customizing for the best, holistic solution.



HOLISTIC FINANCIAL ADVICE

To build genuine relationships, we work to understand the real needs and offer solutions, rather than just products.



SUPPORT FOR MEMBERS AND COMMUNITY

We support our members, community partners and organizations to build our local economy because we're all in this together and we live here too.

left Durham Region Film Festival 2018 *right* Community Choice Award RMG Exposed



TABLE OF CONTENTS

BUILD STRONG	
Our Commitment	01
LETTER	
CEO + Board Chair	03
ABOUT US	
Facts + Figures	05
REPORT	
From the Audit Committee	06
OUR IMPACT	
AWCCU in the Community	07
INDEPENDANT REPORT	
Summary Financial Statements	08



As a small business owner, banking with AWCCU Financial has been a great choice! They offer all the banking services I need and have gone above and beyond in providing me opportunities that prove their deep commitment to local business.

–MAX B. | Lowlands Fire Food



As soon as we found out about the benefits of joining a credit union, we switched immediately. The transition was seamless, and we have loved the customized AWCCU service we have received for our growing business ever since.

–KATIE D. | Brand Ambition



One of our goals in building a music festival was to go local with as many local services as we could. We were pleasantly surprised to learn how responsive AWCCU has been to our specific needs when we chose them for our banking and financial transactions.

–DEREK G. | Crossing Point Festival



As a third generation AWCCU member I love the personal and the personalized services that are tailored just for you. AWCCU makes you feel like you are part of a community instead of just an account number.

–KIMBERLY E. | AWCCU Member

LETTER

CEO + BOARD CHAIR

2018 was a year of building for AWCCU Financial, swinging into action on the work needed to deliver on our promise of member centricity. We grew, strengthened, and skilled-up our team, delivered exceptional training focused on providing value through great advice, earning loyalty, and building lifelong relationships.

In the past year, we hit many of our financial goals, but we also hold ourselves to much more than that. Success to us means helping our members, employees, and community to be the best version of themselves.

We knew we needed our employees to be in the right place, at the right time, with the right knowledge. The AWCCU team underwent an incredible amount of training with 6 training sessions, totalling over 1150 hours while simultaneously working through an organization wide redesign. We want to thank every AWCCU employee for their unending commitment, patience, and support through this transition. You're our best investment and the feedback we're hearing from the trainings and workshops prove we're on the right path.

Investing in learning and development is a key part of our long-term strategy. We grew our People and Culture department, welcoming our People and

Culture Generalist, Learning and Development Specialist and Chief Experience Officer to build and develop our member experience.

“

The growth in our People and Culture department has afforded employees the chance to be counted and recognized as a valued part of the team. 2018 has been a welcomed eye opener as to the efforts AWCCU has made to make sure the team feels included, it is so much nicer to come to work and feel recognized. —Antoinette C., employee since 2013

Proof that we're on the right path is demonstrated by our operating results. 2018 saw our capital grow from 5.29% to 5.88%. Not only did we grow financially, our reach and community impact in Durham Region expanded as well.

We took our Durham Region pride and combined it with our passion of giving back to communities with the launch of our #905Contest. The idea of the contest is to donate \$905 to a local charity and we ask the community to choose the charity it goes to. Last year we donated \$905 to both Nova's Ark and the Bowmanville Older Adult Association.

“

*Thank you for believing in and caring for the many very special children who experience our unique facility. Your donation has aided in providing resources to enhance our children's experiences. Thank you for making a difference.
— Mary-Ann Nova, Nova's Ark*

We celebrated our 80th Anniversary with the launch of the #LoveYourLocal pop up market in October of 2018. We showcased over 30 local businesses with our family friendly event of food trucks, butter tarts, craft beer, and local artisans. For our first year, a 300+ guest turnout clearly shows the region's endorsement of our organization's commitment to supporting local.

“

The Love Your Local pop up market was upbeat and fun, a great event to share local businesses with AWCCU and the community. - Julia H.

When AWCCU originated with a group of 29 General Motors workers 80 years ago, they prioritized the well-being of our members, employees, and the communities we serve. Fast forward 80 years and



above AWCCU Christmas party at Parkwood Estates

we still stand for strong relationships with our members and community, thanks to our dedicated and helpful team. We also want to extend a thank you to our board for their strategy, guidance, and governance, and most importantly, thank you to our members and the community who support us.

Your loyalty and confidence in our organization is vital to our current and future success.

Let's build strong!

Chris Inniss
CEO

John MacDonald
Board Chair

“ Success to us means helping our members, employees, and community to be the **BEST VERSION** of themselves.

ABOUT US

FACTS AND FIGURES

96% EMPLOYEES

We're serious when we say local matters, 96% of AWCCU employees live in Durham Region. #WeLiveHereToo

12,500+ MEMBERS

AWCCU's has 12,500+ members in Durham Region and is growing every day.

10,000+ ONLINE REACH

Tap into AWCCU's online audience with posts reaching over 10,000 people in Durham Region.

813 MILLION DOLLARS U/A

AWCCU has over 813 million dollars under administration.

84% FEMALE

Companies leadership teams with at least 30% women are 12 times *more likely* to be top performers.

808 YEARS EXPERIENCE

Our team has over 808 years of combined experience working in the financial industry.



Chris
CEO



Doug
Vice Chair,
Governance Chair,
Audit



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



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



Arnold
Audit Chair,
Governance, Credit
+ Market Risk



Chris
Governance, Audit



Mike
Credit + Market Risk
Chair



Francine
Governance,
Credit + Market Risk



Ron
Governance,
Credit + Market Risk

REPORT

AUDIT COMMITTEE

The Audit and Operational 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 and with guidance from Deposit Insurance Corporation of Ontario (DICO).

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

Total assets at the end of 2018 were \$401,888.00

There has been an updating of accounting practices starting 2018 to International Financial Reporting Standard version 9 (IFRS 9), Leadership has completed the process and implementation.

The Committee held nine (9) regular meetings during the year. Reviewed the monthly Financial Statements of the Credit Union and the associated notes and schedule monitoring the results of compliance with the new International Financial Reporting Standards 9 (IFRS9), Capital Reserve requirements, liquidity and interest rate risk requirements as outlined by the Credit Union Caisse Populaire Act, Regulations and Government Regulators.

AWCCU has two auditing firms as required by regulation. Tinkham LLP is our 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 the leadership team'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, Outsourcing Risk and Management Expenditure. As these Policies are specified in the Act or by DICO.

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 a 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 Leadership team on how ERM would integrate into the leadership team organization processes. The Committee focused on the top risks as identified by the board and leadership team. 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 Caisse 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 Caisse Populaires Act or the Regulations. The Committee is pleased with the co-operation from the Leadership team and both External and Internal Auditors in completing all of the required activities in an efficient time frame during the 2018 fiscal year.

Respectfully submitted,



Arnold DeMan
Audit Chair

John MacDonald
Loreen Potter
Chris White
Doug Sanders



A peek at **SOME** initiatives we supported in 2018:

Newcastle's Pie in the Sky Festival | Bowmanville Ribfest | Backdoor Mission's Professor of Funk and Friends Christmas Concert
Bowmanville Older Adult Association | Oshawa BIA Wine Festival | Sunrise Youth Group | #LoveYourLocal Pop Up Market
Business Advisory Centre Durham | Nova's Ark | Help from Hol | Bacon and Beer Festival | Parkwood Golf Tournament
Crossing Point Music Festival | Robert McLaughlin Gallery's RMG Exposed | Durham Region International Film Festival
Salvation Army Food Drive | Salvation Army Angel Christmas Tree | Safe Hope Homes | The Denise House | #905Contest

INDEPENDENT AUDITOR REPORT

SUMMARY FINANCIAL STATEMENTS

To the Members of
AUTO WORKERS COMMUNITY CREDIT UNION LIMITED

Opinion—The summary financial statements, which comprise the summary statement of financial position as at December 31, 2018 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, 2018.

In our opinion, the accompanying summary financial statements are a fair summary of the audited financial statements, in accordance with International Financial Reporting Standards.

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 January 31, 2019.

Management's Responsibility for the Summary Financial Statements—Management is responsible for the preparation of the summary financial statements in accordance with International Financial Reporting Standards.

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

Toronto, Ontario
January 31, 2019

TINKHAM LLP | CHARTERED
PROFESSIONAL
ACCOUNTANTS

OUR FINANCIAL POSITION

AS AT DECEMBER 31

ASSETS	<u>2018</u>	<u>2017</u>	LIABILITIES, MEMBER ENTITLEMENTS AND MEMBERS' EQUITY	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$13,214,273	\$12,248,304	Accounts payable and accrued liabilities	\$2,717,179	\$3,137,509
Investments	28,212,473	29,980,486	Obligation for post-employment benefits other than pensions	5,276,100	5,165,300
Income taxes receivable	8,562	124,972	Mortgage securitization liabilities	44,114,662	51,855,032
Loans and advances to members	352,013,798	366,186,949	Members' accounts and deposits	324,720,406	333,440,606
Pension asset	881,800	259,000	Accrued member interest, dividends and patronage return	1,976,428	1,888,997
Deferred income tax asset	1,805,182	1,805,182	Members' share capital	10,362,276	10,294,582
Other assets	2,109,621	1,890,851	Retained earnings	17,107,964	15,172,882
Capital assets	3,547,419	3,969,577	Accumulated other comprehensive loss	(4,481,887)	(4,489,587)
	<u>\$401,793,128</u>	<u>\$416,465,321</u>		<u>\$401,793,128</u>	<u>\$416,465,321</u>

Approved on behalf of the board



Director



Director

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

OUR COMPREHENSIVE INCOME

AS AT DECEMBER 31

	2018	2017		2018	2017
INTEREST INCOME					
Loan interest	\$13,201,953	\$12,163,870	Income before dividends and patronage return and provision for taxes	2,523,909	3,047,218
Investment interest and dividends	650,024	401,152	Dividends and patronage return	30,983	30,983
	<u>13,851,977</u>	<u>12,565,022</u>	Net income before provision for income taxes	2,492,926	3,016,235
Interest on members' accounts and deposits	4,096,104	4,365,413	Provision for current income taxes	370,852	372,114
Interest on external borrowings	1,235,847	538,428	Provision for deferred income taxes	-	119,937
	<u>5,331,951</u>	<u>4,903,841</u>	NET INCOME FOR THE YEAR	<u>\$2,122,074</u>	<u>\$2,524,184</u>
FINANCIAL MARGIN	8,520,026	7,661,181	Other comprehensive income (loss), net of tax		
OTHER INCOME	1,634,081	2,685,264	Actuarial gains (losses) on employee future benefits	7,700	(594,519)
	<u>10,154,107</u>	<u>10,346,445</u>	Reclassification of realized gains on available-for-sale investments	-	(586,910)
EXPENSES			Total other comprehensive loss	7,700	(1,181,429)
Administration	508,311	439,453	NET COMPREHENSIVE INCOME FOR THE YEAR	<u>\$2,129,774</u>	<u>\$1,342,755</u>
Currency costs and bank charges	136,468	144,537			
Data processing and networking	688,121	683,522			
Depreciation	422,158	509,221			
Insurance	361,568	412,979			
Marketing and development	101,243	55,890			
Member services	329,030	235,275			
Occupancy costs	492,430	523,772			
Provision for impairment losses on member loans	150,000	150,000			
Salaries, employee benefits and personnel	4,440,869	4,144,578			
	<u>7,630,198</u>	<u>7,299,227</u>			

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



If you love your local brewery,
you'll love your local credit union



If you love your local ice cream,
you'll love your local credit union



If you love your local bakery,
you'll love your local credit union



If you love your local farm,
you'll love your local credit union