



# 2019 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.





Everyone  
deserves a path to  
financial success.

“ I'm grateful to have met Alka and Angela. Their service has been incredible smooth and efficient, they are extremely assertive to their client's needs, the credit union has been an integral part of our growth, I would highly recommend their services to others.

*Kest & York Dev  
Commercial Members*

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“ I am so grateful to have found Pathwise Credit Union! They provided accessible and personalized service and solutions for my business while still embracing a sense of family and community. I look forward to an exciting partnership ahead!

*Elisabete, Picadilly Cakery  
Small Business Member*

“ Pathwise is not just a place I have to go to work every day, but a place that I wake up excited to go and work towards changes, and help be a part of making it a great place for our members to bank and our employees to work. Pathwise truly is the best workplace I could ask for, and I can't wait to continue to be a part of its future success.

*Jessica  
Pathwise*



## About Us

**96%  
Employees**

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

**12,500+  
Members**

Pathwise has 12,500+ members in Durham Region and is growing every day.

**79%  
Female**

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

**813 Million  
Dollars**

Pathwise has over 813 million dollars under administration.

**868 Years  
Experience**

Our team has over 868 years of combined experience working in the financial industry.

**10,000+  
Online Reach**

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

# Our REACH Values



**Recognize and meet people where they are**



**Encourage open and transparent conversation**



**Commit to community-based decisions**



**Act with integrity**



**Humanize banking**



## The 7 Cooperative Principles We Stand By



**Voluntary Open  
Membership**



**Democratic Member  
Control**



**Cooperation Among  
Cooperatives**



**Autonomy &  
Independence**



**Member Economic  
Participation**



**Concern for the  
Community**



**Education, Training,  
and Information**

## Letter

### From our Board Chair

As we enter this next phase of an incredible adventure in history at Pathwise Credit Union, we reflect on the strength and support of our membership going back to 1938.

Our Credit Union started from the forward-thinking united group of workers and community builders that envisioned the democratizing of financial security and capacity building in the city. Along the path, the forging of a partnership with the Orono Credit Union ensured that the values of agriculture, food security and rural development brought together democracy in the face of growth.

The credit union system under the 7 cooperative principles ensures that members own an equal share and equal vote in overseeing the business.

This is a significant difference between big financial institutions and credit unions. Putting your money in a credit union—then participating in the governance, will ensure that the direction we go will continue to involve social and environmental standards.

Our Board of Directors appreciates the support of the membership. The work undertaken by the team at Pathwise is focused on sustainable communities and success for every member of the credit union. Pathwise members recognize that our credit union operates as part of the larger economic, social and environmental framework that affects peoples' day to day lives in our community. Everyone deserves a path to financial success.

John MacDonald

# Letter

## From our CEO

We have completed two years on our new path to success and have a lot to celebrate. This year we have reflected on our past and worked to build our future. Although it was sad to see the GM plant close, we see our community growing and diversifying and we see opportunities in technology, education and entrepreneurship.

Looking back, we have achieved so much in 2019:

- Voting to change our name to Pathwise Credit Union;
- Improving capital from 5.88% to 6.7%;
- Negotiating a new collective bargaining agreement that is sustainable for the credit union long-term and still protects our employees in their retirement;
- Improving employee engagement, achieving a 7% increase;
- Negotiating a new banking system contract and kicking off the banking system project; and,
- Replacing our complete IT infrastructure

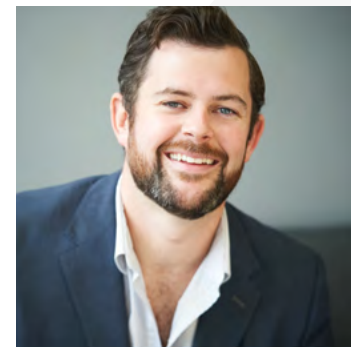
Our journey isn't complete yet; we see rapid change and disruption in our industry and are working to face these changes head on. Pathwise will be a nimble organization that invests in technology and efficiency while continuing to compete based on person-to-person advice. Our purpose for the next 80 years is to help our members on their path to financial success.



Chris Inniss



**John MacDonald,**  
**Board Chair**



**Chris Inniss,**  
**CEO**

# 2019 Board of Directors



**Arnold**  
Audit Chair, Governance,  
Credit + Market Risk



**Chris W.**  
Governance, Audit



**Doug**  
Governance Chair, Audit



**Francine**  
Governance,  
Credit + Market Risk



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



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



**Mike M.**  
Credit + Market Risk Chair



**Ron**  
Governance,  
Credit + Market Risk



# Leadership



**Alka**



**Amanda**



**Dolly**



**Chris (CEO), Lindsay, Dan**



**Enid**



**Flo**



**Jessica**



**Julia**



**Leanne**



**Linda**



**Mike F.**

# 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 2019–2020 consisted of: Arnold DeMan (Chairperson), John MacDonald (Chair of the Board), Doug Sanders, Loreen Potter, Francine Saunders and Chris White.

Total assets at the end of 2019 were \$396,175,587

- The Committee held six (6) 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 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, 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 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 the required activities in an efficient timeframe during the 2019 fiscal year.

Respectfully Submitted,



Arnold DeMan  
Doug Sanders  
Chris White

John MacDonald  
Loreen Potter  
Francine Saunders

# Independent Auditor Report

## Summary Financial Statements

To the Members of

**PATHWISE CREDIT UNION LIMITED**

*(formerly Auto Workers Community Credit Union Limited)*

### Opinion

The summary financial statements, which comprise the summary statement of financial position as at December 31, 2019 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, 2019.

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 26, 2020.

### 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 (GAS) 810, Engagements to Report on Summary Financial Statements.



Tinkham LLP  
Licensed Public Accountants

Toronto, Ontario  
February 26, 2020

**TINKHAM** LLP | CHARTERED  
PROFESSIONAL  
ACCOUNTANTS

## Notes to the Summary Financial Statements

### **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, 2019 and December 31, 2018 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.

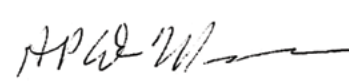
A full set of audited financial statements is available from the Credit Union.


# Our Financial Position

As at December 31	2019	2018
<b>Assets</b>		
Cash and cash equivalents	<b>\$ 9,477,698</b>	\$ 13,214,273
Investments	<b>27,800,721</b>	28,212,473
Income taxes receivable	<b>76,472</b>	8,562
Loans and advances to members	<b>350,855,734</b>	352,013,798
Pension asset	<b>562,400</b>	881,800
Deferred income tax asset	<b>1,395,872</b>	1,805,182
Other assets	<b>2,374,352</b>	2,109,621
Capital assets	<b>3,561,570</b>	3,547,419
	<b>\$ 396,104,819</b>	\$ 401,793,128

	2019	2018
<b>Liabilities, Member Entitlements and Members' Equity</b>		
Accounts payable and accrued liabilities	<b>\$ 3,934,543</b>	\$ 2,717,179
Obligation for post-employment benefits other than pensions	<b>3,501,900</b>	5,276,100
Mortgage securitization liabilities	<b>37,740,963</b>	44,114,662
Members' accounts and deposits	<b>323,263,524</b>	324,720,406
Accrued member interest, dividends and patronage return	<b>2,055,154</b>	1,976,428
Members' share capital	<b>10,454,264</b>	10,362,276
Retained earnings	<b>20,257,184</b>	17,107,964
Accumulated other comprehensive loss	<b>(5,102,713)</b>	(4,481,887)
	<b>\$ 396,104,819</b>	\$ 401,793,128

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	2019	2018
<b>Interest Income</b>		
Loan interest	\$ 13,403,649	\$ 13,201,953
Investment interest and dividends	743,432	650,024
	<b>14,147,081</b>	13,851,977
Interest on members' account and deposits	4,279,995	4,096,104
Interest expense—other	1,053,349	1,235,847
	<b>5,333,344</b>	5,331,951
<b>Financial margin</b>	<b>8,813,737</b>	8,520,026
<b>Other income</b>	<b>1,626,637</b>	1,634,081
	<b>10,440,374</b>	10,154,107
<b>Expenses</b>		
Administrative	718,445	521,944
Currency costs and bank charges	351,756	328,999
Depreciation	445,685	422,158
Information technology	755,117	504,934
Insurance	442,788	361,568
Marketing	98,753	90,014
Member services	207,708	283,576
Occupancy costs	572,084	492,430
Provision for impairment losses on member loans	154,852	150,000
Salaries, employee benefits and personnel	2,371,986	4,474,576
	<b>6,119,174</b>	7,630,199

	2019	2018
Net income before member distributions and provision for income taxes	\$ 4,321,200	\$ 2,523,908
Deduct: Dividends and patronage return	26,597	30,983
Net income before provision for income taxes	4,294,603	2,492,925
Provision for current income taxes	305,330	370,852
Provision for deferred income taxes	625,420	-
<b>Net income for the year</b>	<b>\$ 3,363,853</b>	<b>\$ 2,122,073</b>
<b>Other comprehensive income (loss), net of tax</b>		
Actuarial gains (losses) on employee future benefits	(599,390)	7,700
Reclassification of realized gains on available-for-sale investments	(21,436)	-
Total other comprehensive income (loss)	(620,826)	7,700
<b>Net comprehensive income for the year</b>	<b>\$ 2,743,027</b>	<b>\$ 2,129,773</b>

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



## THE NEXT STEP Careers & Options



## Community and Events

### AIME Awards

We received an AIME (Achievement in Marketing Excellence) award in Public and Community Relations for the #LoveYourLocal campaign.

### 100 Years Young!

Celebrating the 100<sup>th</sup> birthday of two of our members. It is with great sadness that we also acknowledge the passing of Albert Bracey, 104, a founding member of our Credit Union family and a 37 ½ year employee of General Motors. He will be dearly missed.





**Sept 12**  
**Thursday 4-8pm**

# #LOVE YOUR LOCAL

**FREE Pop-up MARKET**

Craft beer | Food trucks | Games | Prizes  
 322 King Street West, Oshawa



## The Next Step

Partnering with job recruiters and industry experts, we provided Next Step career sessions to displaced GM employees and employees of the impacted feeder plants.

## #LoveYourLocal Pop-up Market

A free local pop-up market to build awareness in the community to local products, vendors and to AWCCU.





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

