

# 2013 You Matter Most annual report



## 2013 ANNUAL REPORT

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### FINANCIALS

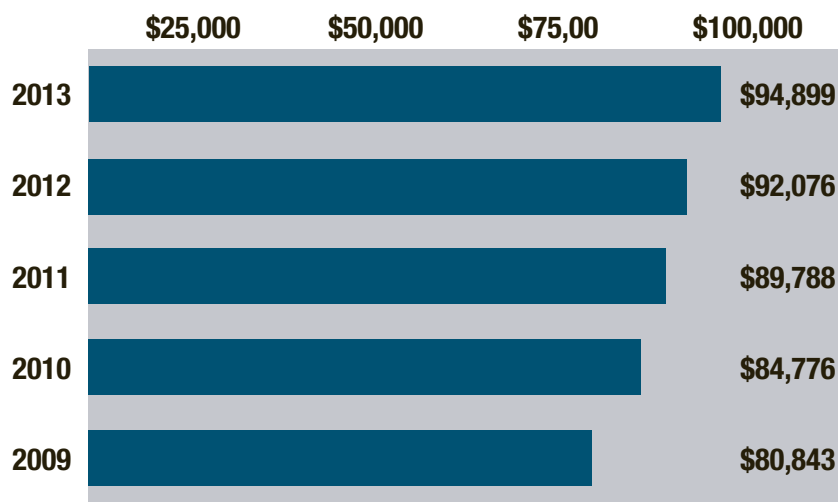
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## FINANCIAL HIGHLIGHTS

IN THOUSANDS OF DOLLARS

	2013	% CHANGE	2012
Total Assets	\$ 94,899	3%	\$ 92,076
Loans To Members	\$ 69,987	-3%	\$ 72,066
Investments	\$ 21,413	36%	\$ 15,724
Deposits from Members	\$ 87,793	3%	\$ 84,918
Capital & Retained Earnings			
Retained Earnings	\$ 6,222		\$ 5,893
Share Capital	\$ 335		\$ 345
Tier 2 Capital	\$ 394		\$ 324
Total Regulatory Capital	\$ 6,951	6%	\$ 6,562
% of total assets	7%		7%
% of risk-weighted assets	22%		20%
Total Income	\$ 3,822	-5%	\$ 4,018
Interest Expense	\$ 1,631	7%	\$ 1,528
Operating Expense	\$ 1,797	-4%	\$ 1,872
as a % of average assets	2%		2%
Net Income before Distributions	\$ 394	-36%	\$ 618
Distribution to Members	\$ -		\$ 225
Net Income	\$ 329		\$ 319

## ASSET GROWTH



# REPORT TO THE MEMBERS

We are pleased to once again report a successful year and a bright future ahead for Member Savings. Interest rates remained extremely low throughout the past year and are not expected to rise until well into 2015. Although low interest rates are enjoyed by borrowers, the flip side is depositors must endure lower returns on their savings and investments. Very low interest rates create a challenge to our bottom line here at Member Savings, as the spread between interest paid by borrowers and the interest we must pay to depositors is squeezed significantly. Despite these challenges we managed to earn a satisfactory return allowing us to reinvest in enhanced products and services for the benefit of all members.

## Investing in Technology

We continue to invest in new technology. Over the past year we replaced all MAG strip cards with EMV Chip Cards. This endeavour ensures our members are armed with enhanced security features on their MemberCard® debit cards and we remain fully compliant with Interac® standards.

In the Spring of 2013, we introduced Interac eTransfers. This slick service allows our members to send and receive money via email through secure on-line banking. There is no need to exchange anything more than an email address making the transfer both easy and secure.

## WE STAYED TRUE TO OUR PLEDGE TO HELP OUR MEMBERS REACH FINANCIAL FREEDOM BY REDUCING THEIR DEBT LOAD.

### Financial Highlights

Over the past year our assets grew to a record high of \$95 million. This growth resulted in an increase to Member Deposits which increased our Investments rather than our Loans to Members. An extremely competitive mortgage environment coupled with a trend towards our member's focusing on debt reduction, resulted in a \$2 million decrease in net loans.

Over the past year, our bad debts increased due to bankruptcies. Many of these borrowers faced legitimate personal challenges where bankruptcy was the last resort. Unfortunately these loans must be written off directly against current income.

Despite low margins and an increase in loan losses, the credit union made a profit of \$329 thousand. While the net result is similar to last year, our income before taxes and distributions was significantly lower. Although the Board has declared a distribution in the past to reduce excess profits, this was not feasible for 2013. Instead, this profit will be retained in capital to be reinvested in product enhancements ensuring the credit union remains a viable banking alternative.

Member Savings will bring some exciting new services to you in 2014. The much awaited Mobile App will provide our on-line members with an enhanced banking experience while using their smart phones. In addition to greater detail when viewing account history and balances, users will be able to easily pay bills, transfer funds and receive financial reminders from us, all from their mobile device.

Depositing cheques will never be easier with the introduction of Deposit Anywhere™. This new feature, planned for 2014, will allow one to deposit cheques into their credit union account in real time from anywhere using their mobile device. There is no need to visit an ATM or the branch. With Deposit Anywhere™ you simply open an App on your mobile phone, snap a picture of the front and back of the cheque and submit.

## REPORT TO THE MEMBERS (continued)

### Safe and Sound

As an Ontario financial institution Member Savings is subject to various audits and inspections. In 2013, in addition to our regular internal and external audits, Member Savings was the subject of two very important compliance inspections. The first was from our provincial regulator and deposit insurer, Deposit Insurance Corporation of Ontario (DICO), who ensures we are financially sound and compliant with all legislation and

### Our People

Technology provides the tools but it's the people within the organization that make it successful. This starts at the top with a committed Board of Directors. Our Board consists of seven committed directors that are responsible for ensuring the credit union is governed for success. They are required to be trained and educated accordingly ensuring they possess the appropriate competencies to successfully steer the organization.

## THE CREDIT UNION WOULD NOT BE SUCCESSFUL WITHOUT THE CONTINUED SUPPORT AND PATRONAGE OF THE MEMBERS IT SERVES.

regulatory requirements. The second inspection involved The Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) who ensure that we comply with all regulations and legislation relating to the Proceeds of Crime (Money Laundering) Act. Both of these audits resulted in very favourable reports, ensuring Member Savings is a strong and secure financial institution that you can trust with your financial affairs.

### Reaching Out

Credit Unions are still one of the best kept secrets in Ontario and we're hoping to change that. A group of Ontario Credit Unions have banded together to participate in an awareness campaign rolling out in early 2014. This campaign, involving television advertising and social media, is focused on making Ontarians aware of credit unions as a viable alternative to banks. Without this group effort, most individual credit unions would not have the financial resources for this type of advertising. The campaign focus is very much based on the cooperative principles in which we operate. At Member Savings our goal is to better the lives of our members by providing them with the services necessary to navigate through the various financial stages of their lives. We are not focused on what we want to sell, but rather on individual member needs. Member Savings hopes to reach many potential members, previously unattainable, by increasing their awareness of credit unions and all of the benefits membership will offer.

The credit union employs a team of true professionals that are committed to serving our members. From professional lending staff to licensed investment specialists, we have the professional resources available to serve the diverse financial needs of our members. Whether its debt consolidation, budgeting, free financial and investment advice, mortgage questions or insurance, we're here to help.

Being part of an organization that is committed to bettering the lives of its members has its privileges. That being said, Member Savings would not enjoy the success it has had over the last 64 years without the support of the members it serves. We thank you for your patronage and your continued support and urge you to Talk to Us for all your financial needs!

Respectfully,

**Sharon Kent**  
Chief Executive Officer

**Robert Callander**  
Board Chair



## REPORT OF THE AUDIT COMMITTEE

The Audit Committee functions to assist the Board of Directors in reviewing financial reports and reporting processes. Our Committee currently consists of five directors, elected by the Board of Directors, and complies with the specifications outlined for Audit Committees in the Credit Unions and Caisses Populaires Act (1994),

- Report that our credit union is in compliance with the Act, our By-laws, the requirements of the Deposit Insurance Corporation of Ontario (DICO), and all resolutions and policies of the Credit Union's Board of Directors.

### OUR CREDIT UNION IS IN COMPLIANCE WITH THE ACT, OUR BY-LAWS, THE REQUIREMENTS OF DICO AND OUR POLICIES.

and the associated regulations. My fellow committee members are: Robert Callander, Tracy Danbrook, Liesma Morris, and Bruno Lopes. The Audit Committee has adopted a mandate to carry out its responsibilities as specified in the regulations to the Act and has contracted the services of an internal auditor to assist in fulfilling these duties. The Audit Committee, which meets at least quarterly, met four times during the 2013 fiscal year to:

- Review the Audited Financial Statements and all reports received from the external auditor;
- Meet with the external auditor to review the results of the year end audit;
- Review the external auditor's Engagement Letter and proposed fees;
- Review the Internal Audit Work Plan;
- Review the quarterly internal audit reports from the internal auditor;
- Review management's response to each report and related recommendations;
- Review the Credit Union's policies, procedures and controls for legislative compliance;

The Committee confirms that Management has implemented all recommendations made by the Audit Committee and there are no matters which the Committee believes should be reported to the membership or which are required to be disclosed pursuant to the Act or the regulations.

Respectfully submitted,

Alex Browning  
Audit Committee Chair

## REPORT ON LENDING

Talking to our members to help them assess their borrowing needs remained a priority for the credit union in 2013. We continued to offer historically low rates and flexible re-payment schedules to assist our members with solutions to fit their individual situations. Whether funds are needed for debt consolidation, car financing, home renovation or a home purchase we strive to find an affordable lending solution for all our members.

through our exciting line of credit promotions. These included a 0% special offer on our Personal Lines of Credit for six months, as well as an offer of Prime minus 0.5% on our Home Equity Lines.

In 2013, Veronica Joyner, joined our lending team as Senior Loan Officer and has brought a wealth of knowledge to the role. She joins an experienced lending team that includes Karyn Smith- Financial Services Officer, Suzy Pereira- Loan Officer and myself, Tom

### MEMBER SAVINGS LENDING STAFF ARE HERE TO FIND THE RIGHT BORROWING SOLUTION TO MEET YOUR NEEDS.

In 2014 and well into 2015, we expect to see interest rates remain near record lows while the economy in Ontario and Canada slowly gains momentum. Growth in the Ontario real estate market slowed somewhat in 2013 and most economists are still forecasting moderate growth in house prices for 2014, particularly in the GTA.

In 2013 Member Savings continued to see the tendency of our members borrowing less and consolidating their debt into one manageable monthly payment. This trend was reflected in a reduced number of loan applications and loan volume.

During the year we welcomed many new members

Elsdon- Manager of Lending Operations. In the coming year we look forward to continuing our commitment in assisting our members reach their financial goals and urge you to "talk to us".

Tom Elsdon  
Manager of Lending Operations

## REPORT ON LENDING

### LOANS ADVANCED (in thousands)

PURPOSE	2013		2012	
	NUMBER	AMOUNT	NUMBER	AMOUNT
Debt Consolidation	201	\$ 2,345	391	\$ 4,378
Motor Vehicle Expense	56	1,053	77	1,349
Recreational Vehicle	9	214	2	16
Vehicle Expense	24	88	23	129
Home Purchase	8	1,299	7	717
Home Furnishings	3	15	6	121
Home Expenses	30	259	36	460
Investments	5	37	7	57
RRSPs	1	1	-	-
Christmas and Weddings	52	124	35	76
Vacation	22	129	20	71
Miscellaneous	106	503	116	632
<b>Total Personal Loans</b>	<b>517</b>	<b>\$ 6,067</b>	<b>720</b>	<b>\$ 8,006</b>
<b>Line of Credit Advances</b>				
(including Personal LOC, RSP				
LOC & Home Equity LOC)	5,261	\$ 6,604	5,277	\$ 6,817
Residential Mortgages	72	12,150	65	14,459
<b>Grand Total</b>	<b>5,850</b>	<b>\$ 24,821</b>	<b>6,062</b>	<b>\$ 29,282</b>

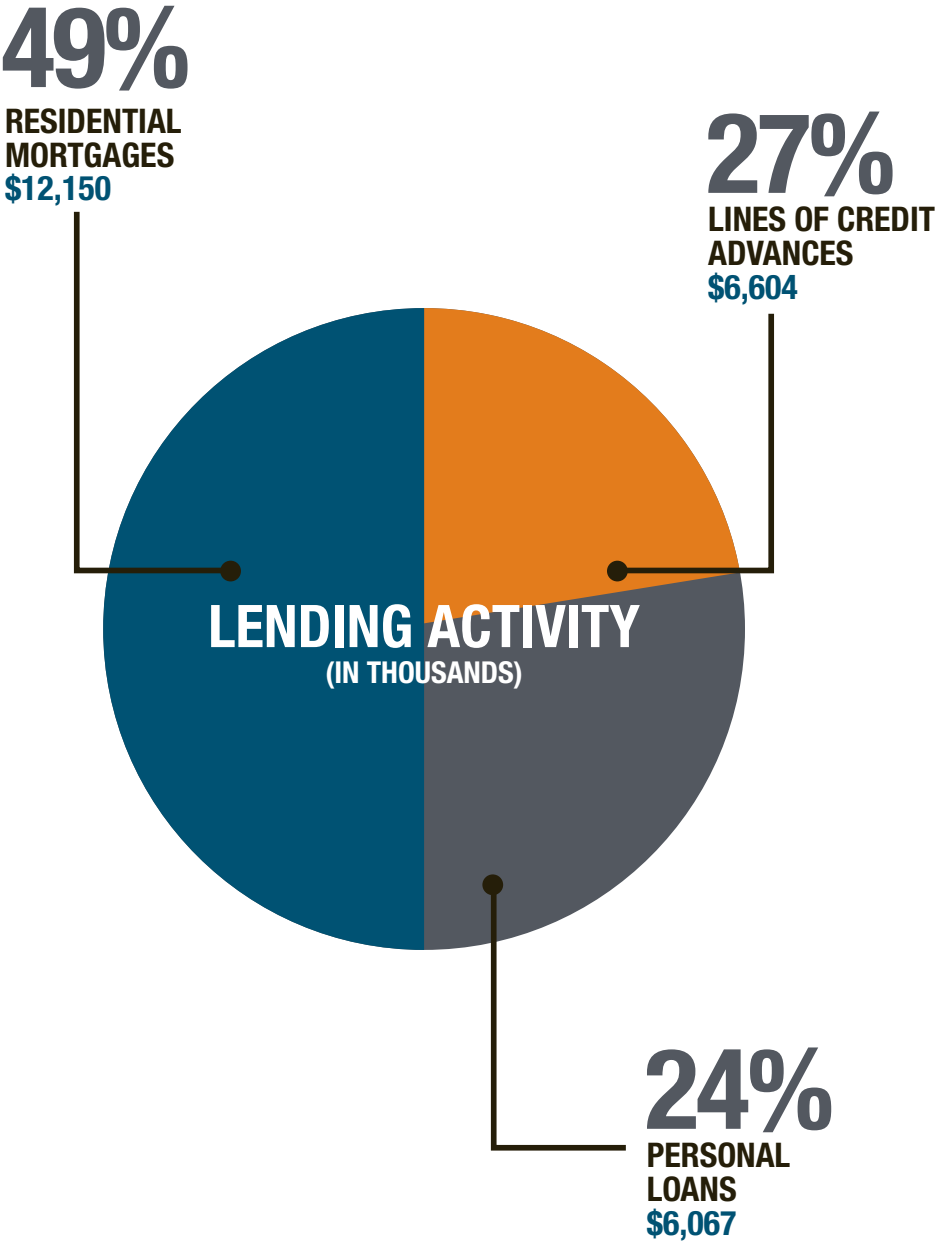
### NEW APPLICATIONS RECEIVED

	PERSONAL LOANS	LINE OF CREDIT (PERSONAL & RSP)	HOME EQUITY LINE OF CREDIT	MORTGAGES	DECLINED	TOTAL
2012-2013	508	121	24	81	39	733
2011-2012	593	82	10	78	36	799

	NUMBER	AMOUNT
LOANS AND MORTGAGES IN ARREARS IN EXCESS OF 90 DAYS	13	\$ 289
ALLOWANCE FOR IMPAIRED LOANS (INCLUDING NON-SPECIFIC)		\$ 222



LENDING ACTIVITY IN DOLLARS



## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation, presentation and consistency of the accompanying summarized financial statements and other information contained in this Annual Report.

and proper records maintained. This system of internal controls provides reasonable assurance that financial records are reliable and are a proper basis for preparation of the financial statements.

## THE SUMMARIZED FINANCIAL STATEMENTS HAVE BEEN DERIVED FROM THE COMPLETE FINANCIAL STATEMENTS

The summarized financial statements have been derived from the complete financial statements which were prepared in accordance with International Financial Reporting Standards and have been audited by Grant Thornton, Chartered Accountants.

Management maintains the necessary system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded

The Audit Committee and the Board of Directors, in carrying out their responsibility, have reviewed and approved the financial statements.

Sharon A. Kent  
Chief Executive Officer

# Report of the Independent Auditor on the Summary Financial Statements

To the Members of  
**Member Savings Credit Union Limited**

The accompanying summary financial statements, which comprise the summary statement of financial position as at September 30, 2013, the summary statements of comprehensive income, changes in members' equity and cash flows for the year then ended, are derived from the audited financial statements of Member Savings Credit Union Limited as at September 30, 2013. We expressed an unmodified audit opinion on those financial statements in our report dated November 29, 2013. 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 Member Savings 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 on the basis described in Note 1.

## **Auditors' 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 Standard (CAS) 810, "Engagements to Report on Summary Financial Statements."

## **Opinion**

In our opinion, the summary financial statements derived from the audited financial statements of Member Savings Credit Union Limited for the year ended September 30, 2013 are a fair summary of those financial statements, on the basis described in Note 1.

*Grant Thornton LLP*

Burlington, Canada  
November 29, 2013

Chartered Accountants  
Licensed Public Accountants

# Member Savings Credit Union Limited

## Summary Statement of Financial Position

September 30

2013

2012

(in thousands)

### Assets

Cash and cash equivalents	\$ 3,177	\$ 4,016
Investments	21,413	15,724
Loans to members	69,987	72,066
Other assets	81	84
Deferred income taxes	18	12
Income taxes recoverable	18	-
Property and equipment	186	144
Derivative financial instruments	<u>19</u>	<u>30</u>
	<u>\$ 94,899</u>	<u>\$ 92,076</u>

### Liabilities

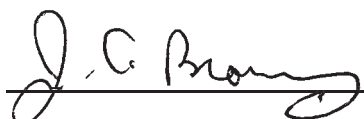
Accounts payable and accrued liabilities	\$ 254	\$ 432
Members' deposits	87,793	84,918
Patronage distribution payable	-	225
Income taxes payable	-	18
Derivative financial instruments	26	21
Shares	<u>138</u>	<u>141</u>
	<u>88,211</u>	<u>85,755</u>

### Equity

Retained earnings	6,222	5,893
Shares	221	230
Accumulated other comprehensive income	<u>245</u>	<u>198</u>
	<u>6,688</u>	<u>6,321</u>
	<u>\$ 94,899</u>	<u>\$ 92,076</u>

Approved on behalf of the board

 , Director

 , Director

# Member Savings Credit Union Limited

## Summary Statement of Comprehensive Income

Year Ended September 30

2013

2012

	(in thousands)	
Interest revenue		
Interest on loans	\$ 2,978	\$ 3,215
Other interest revenue	<u>310</u>	<u>258</u>
	<u>3,288</u>	<u>3,473</u>
Interest expense		
Interest on deposits	1,469	1,506
Provision for impaired loans	<u>162</u>	<u>22</u>
	<u>1,631</u>	<u>1,528</u>
Financial margin	1,657	1,945
Other income	<u>534</u>	<u>545</u>
	<u>2,191</u>	<u>2,490</u>
Operating expenses		
Personnel and related	1,042	1,118
Computer, office, and other	253	251
Administrative and general	242	256
Member security	132	142
Advertising and communications	56	43
Occupancy	31	30
Other	<u>41</u>	<u>32</u>
	<u>1,797</u>	<u>1,872</u>
Income before dividend and income taxes	394	618
Patronage distributions	-	<u>225</u>
Income before income taxes	<u>394</u>	<u>393</u>
Income taxes		
Current	71	79
Deferred	<u>(6)</u>	<u>(5)</u>
	<u>65</u>	<u>74</u>
Net income for the year	<u>329</u>	<u>319</u>
Other comprehensive income (net of tax)		
Change in unrealized gains on available-for-sale investments	47	82
Change in unrealized losses on hedges	<u>-</u>	<u>(10)</u>
Total other comprehensive income for the year	<u>47</u>	<u>72</u>
Total comprehensive income for the year	<u>\$ 376</u>	<u>\$ 391</u>

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## Member Savings Credit Union Limited

### Summary Statement of Changes in Members' Equity

Year Ended September 30, 2013

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	(in thousands)			
	Accumulated Other Comprehensive Income	Shares	Retained Earnings	<b>Total</b>
<b>Balance at September 30, 2011</b>	\$ 126	\$ 241	\$ 5,574	<b>\$ 5,941</b>
Net income	-	-	319	<b>319</b>
Redemption of patronage shares	-	(11)	-	<b>(11)</b>
Change in unrealized losses on hedges	(10)	-	-	<b>(10)</b>
Change in unrealized gains on available for sale investments	<u>82</u>	<u>-</u>	<u>-</u>	<u><b>82</b></u>
<b>Balance at September 30, 2012</b>	198	230	5,893	<b>6,321</b>
Net income	-	-	329	<b>329</b>
Redemption of patronage shares	-	(9)	-	<b>(9)</b>
Change in unrealized gains on available for sale investments	<u>47</u>	<u>-</u>	<u>-</u>	<u><b>47</b></u>
<b>Balance at September 30, 2013</b>	<u>\$ 245</u>	<u>\$ 221</u>	<u>\$ 6,222</u>	<u><b>\$ 6,688</b></u>



# Member Savings Credit Union Limited

## Summary Statement of Cash Flows

Year Ended September 30

2013

2012

(in thousands)

Increase (decrease) in cash and cash equivalents

### Operating activities

Net Income	\$ 329	\$ 319
Depreciation and amortization	64	58
Provision for loan losses	162	22
Deferred income taxes	(6)	(6)
Decrease in fair value of interest rate swap contracts	16	59
Net changes in other non-cash items	<u>(476)</u>	<u>207</u>
	<u>89</u>	<u>659</u>

### Investing activities

Decrease (increase) in loans to members	1,917	(1,920)
Proceeds on sale of mutual fund units	-	125
Decrease (increase) in investment in Central 1 Credit Union-Ontario Region shares	7	(110)
Distribution received from investment in CUCO Co-op Class B investment shares	104	34
Increase in liquidity reserves in Central 1 Credit Union – Ontario region	(213)	(241)
Purchase of portfolio investments (net)	(5,500)	(2,000)
Purchase of property and equipment	<u>(106)</u>	<u>(53)</u>
	<u>(3,791)</u>	<u>(4,165)</u>

### Financing activities

Net increase in members' deposits	2,875	1,747
Decrease in shares (net)	<u>(12)</u>	<u>(10)</u>
	<u>2,863</u>	<u>1,737</u>

Net decrease in cash and cash equivalents (839) (1,769)

Cash and cash equivalents

Beginning of year	<u>4,016</u>	<u>5,785</u>
End of year	\$ <u>3,177</u>	\$ <u>4,016</u>

Interest received	3,281	3,407
Interest paid	1,491	1,581
Income taxes paid	98	76

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**Basis of presentation (Note 1)**

Management is responsible for the preparation of the summary financial statements. The summary financial statements presented include the summary statement of financial position and the summary statements of comprehensive income, changes in members' equity and cash flows. The summary financial statements do not include any other schedules, the summary of significant accounting policies and notes to the financial statements. The summary statement of financial position and summary statements of comprehensive income, changes in members' equity and cash flows are presented in the same detail as the audited financial statements except the note referencing has been removed.

In addition, a copy of the full financial statements is available to any member, upon request, at the credit union branch.

## CREDIT UNION OFFICERS

### BOARD OF DIRECTORS

Robert Callander	Chair	2014
Lee Morris	Vice Chair	2015
Ruth O'Leary	Director, Corporate Secretary	2013
Alex Browning	Director	2013
Tracy Danbrook	Director	2014
Bob Downey	Director	2014
Bruno Lopes	Director	2015

### CREDIT UNION STAFF

Head Office Branch  
55 Lake Shore Boulevard East  
Toronto, M5E 1A4

Sharon Kent	Chief Executive Officer
Tom Elsdon	Manager of Lending Operations
Marcia Downer	Member Services Supervisor
Lisa Churcher	Member Services Representative
Chris Clifford	Member Services Representative
Betty Anne Flynn	Investment Specialist - CFP
Veronica Joyner	Senior Loan Officer
Jennifer Kent	Member Services Representative
Suzy Pereira	Loan Administrator/Loan Officer
Amanda Perkins	Member Services Representative
Karyn Smith	Financial Services Officer
Barb Vincent	Business Development

## MEMBER SAVINGS CREDIT UNION LIMITED PRODUCTS & SERVICES

### ACCOUNTS

Personal Chequing  
Star Membership Chequing  
Gold or Star Senior Membership  
Chequing  
Daily Interest Savings  
Investment Savings  
U.S. Dollar Account  
Platinum Savings Account

### LENDING

Personal Loans  
Quick Cash Loans  
Personal Line of Credit  
RRSP Line of Credit  
Mortgages  
Home Equity Line of Credit  
MasterCard

### INVESTING

Online Brokerage  
Index Linked Term Deposits  
Guaranteed Investment  
Certificates  
Mutual Funds  
Registered Retirement  
Savings Plan (RRSP)  
Registered Education  
Savings Plan (RESP)  
Registered Retirement  
Income Fund (RRIF)  
Tax-Free Savings Account (TFSA)

### INSURANCE

Life Insurance  
Buyer Protection/  
Extended Warranty  
Direct Protect Group –  
Home & Auto Insurance  
Deposit Insurance  
Corporation of Ontario

## MEMBER SAVINGS CREDIT UNION LIMITED BANKING OPTIONS

### BRANCH LOCATIONS

Corporate Office  
55 Lake Shore Boulevard East  
Toronto, Ontario M5E 1A4  
Office Hours: 8:30 a.m. to 4:00 p.m.  
Teller Hours: 10:00 a.m. to 3:00 p.m.

Tel: 416.864.2461  
Fax: 416.864.6858

ATM available at this location  
Telephone Banking: 416.640.0686  
Toll Free within Ontario:  
1.888.560.2218  
[betterbanking@membersavings.ca](mailto:betterbanking@membersavings.ca)

### TELEPHONE BANKING

416.640.0686 or 1.888.560.2218

### HOME BANKING

[www.membersavings.ca](http://www.membersavings.ca)

### THE EXCHANGE® Network

[www.the-exchange.ca](http://www.the-exchange.ca)