

mainstreet CREDIT UNION
Annual Report 2017

YOUR FINANCIAL PICTURE



Invested in you.

MESSAGE FROM THE CHAIR OF THE BOARD OF DIRECTORS & CEO

They say a picture is worth a thousand words. This year our work at Mainstreet has really centered around understanding our members' financial picture and having the right conversations that will help our members define and share with us their goals, direction, and dreams. This allows us to provide the right advice and create a financial plan that is uniquely right for them.

In this year's annual report we share some of the important steps we have taken to help our members and communities at large better understand their finances.

- We added personal financial management (PFM) tools to our online banking service, which helps our members create budgets, analyze their spending patterns, and aggregate all of their financial information in one central location.
- We provided advice model training and enhanced product training to our staff to enhance the quality and depth of financial advice with members.
- We committed to improving financial literacy in our communities by introducing a National Credit Union Financial Literacy program called Each One, Teach One. Mainstreet's trained facilitators are out delivering a variety of free financial workshops across Southwestern Ontario to schools, libraries, new immigrant and community centres. We believe that it is through information and empowerment that we can improve people's lives.

As in-branch cash transactions decline, we are taking the opportunity to re-imagine our branch spaces to increase office space for specialized services, such as: commercial and agricultural, investment and retirement planning, and more. Last year we were able to complete this work at our 40 Keil (Chatham), Parkhill, and Goderich branches.

As our banking world becomes more complex, we took some time in 2017 to examine a number of our processes and simplify where we could. This is an ongoing project that will impact every facet of the credit union, not only is it making us more efficient, but it is helping us to identify members' pain points and work to resolve them.

Last year we also captured some incredible member stories from our entrepreneurs, farmers, and community organizations who shared with us how important Mainstreet and their advisor has been in their journey, and how Mainstreet has positively impacted them. We've shared a small excerpt of their video stories on paper, however, I encourage you to visit our website or YouTube channel to watch their full stories.

At Mainstreet our purpose is to make a difference in our members' financial lives, and to make sure that they feel invested in. It is a true privilege that our members invite us in to their lives at pivotal moments. We get to meet with new parents excited about the arrival of their new baby and ready to set-up an RESP; young couples settling down and tackling their student debt; members diving into their first mortgage and navigating their finances together; even those members in the later stages of their careers wondering if it is time to say goodbye to the 9-5. Thank you for trusting us throughout your life moments, big and small. We commit that in the advice and services we provide, we will always care for and invest in you.


Patrick O'Malley

Mainstreet Credit Union
BOARD CHAIR


Janet Grantham

Mainstreet Credit Union
PRESIDENT & CEO

MAINSTREET'S PERSONAL FINANCIAL MANAGEMENT TOOL (PFM) IS HELPING MEMBERS TAKE AN IN-DEPTH LOOK INTO THEIR FINANCIAL PICTURE

In December 2017 we unveiled a brand new online banking platform, one that allows our members to:

- Organize their spending in key themes and categories (gas, groceries, clothing, etc.). Some basic categories have been applied but members can change these and make them their own at any time.
- Create budgets and analyze spending- you can set a monthly spending budget or savings plan yourself or with the help of your advisor and then analyze how your spending compares with your goals in each budget area.
- See all your finances in one place. You can link your credit cards, mortgage & loans, savings and investments, and even accounts at other financial institutions so your full financial picture will be included in your budget and spending analysis tools.



CREDIT UNION LED FINANCIAL LITERACY IN YOUR COMMUNITY

Mainstreet, along with other Credit Unions across Canada, joined together in offering a nation-wide financial literacy program called Each One, Teach One.



The approach to Each One, Teach One, which was developed by Vancity Credit Union in BC, is for trained individuals to go out in their communities to schools, community groups, libraries, new immigrant centres, and more, and meet people where they are by delivering free financial information in simple and easy to understand language. Mainstreet has two trained coaches and over a dozen staff members trained to deliver workshops in our Chatham, Middlesex, Sarnia and Huron regional communities.

ADVICE MODEL

At Mainstreet we knew we were providing our members with excellent service however we wanted to improve the depth of relationship we had with our members. We wanted to ensure our staff were having engaging conversations that would uncover our members' goals and dreams, which in turn would help us understand the best financial plan and advice for them.

That's where the idea of advice model training came from for our staff. We knew that it was imperative to understand our members' needs today, in order to forecast for tomorrow. We wanted our members to trust us as their advisors and financial partners, to provide someone they would want to talk to before a big financial decision. Our philosophy with the advice model is to drive growth based on understanding a member's needs and provide tailored solutions to fit their lifestyle.



Our philosophy is not to drive our bottom line, but to understand what our members value and to engage them throughout the process as a partner. By focusing on the advice model every day, we are seeing real traction and change occurring in the conversations taking place in our branches.

NEWLY REDESIGNED BRANCH SPACES

In 2017 we continued our work to have our physical spaces mirror our Mainstreet brand of Invested in You. Three of our thirteen branches were re-imagined. Taking our staff and members' needs in consideration, more office space for one-on-one conversations was created. Our goal is to provide more office space where a member and their advisor can meet to discuss things like borrowing, investing, business, and more!



CHATHAM

December 2016



PARKHILL

August 2017



GODERICH

February 2018

MEMBER STORIES



Several years ago we realized we needed a new financial partner who believed in us and believed in something different- watermelons. We found all that and more with Mainstreet who backed us 100%. I am told watermelons are the hardest crop to grow and we thought not everyone is going to do it- so that's what we are going to do!

As a farmer there is enough stress, you don't need the stress of a financial advisor who doesn't understand local farming. With Mainstreet our agricultural advisor lives in the area and understands what's going on. We feel like if something goes wrong, we can call him and figure it out together. We didn't feel like we had that kind of relationship and support when we were with a big bank."

Peter and Tracy Gubbels
LCP Farms

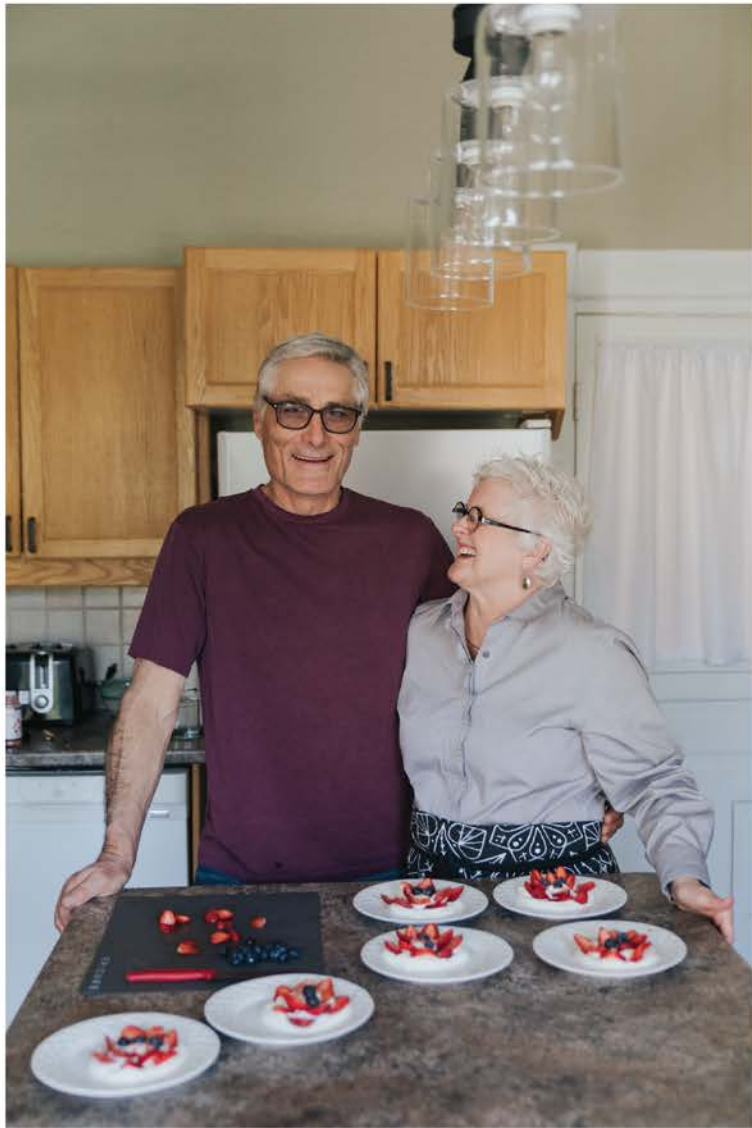
"I knew since I was 5 years old that I wanted to be a farmer and not a hockey player. I can smell the earth every spring. It is so amazing to have the opportunity to grow something- to physically plant something and see it come to its end- it drives me. At LCP farms we grow watermelon, squash, corn, beans, wheat and rye.

Suzanne and John Colborne B&B

“It had been on our bucket list to own a B&B. It really felt like this opportunity was meant to be. The minute we walked through the front doors of this house we felt like we were home. We knew we didn’t have to look any further- this was it.

Mainstreet has been an amazing financial partner to our business. We were so happy after Mainstreet and Goderich Community Credit Union came together that they were now offering business banking services. I am so busy in the summer with the business, it’s so nice to have all my personal and business banking in one place. The customer service is second to none. If I have any questions, or need anything, I talk to people that know me and my business directly and always have my questions answered right away.

Mainstreet has a hometown feel, it is not a big corporate ‘you’re just a number’ feeling, I’m a person when I walk through those doors. It means a lot to us to bank with people that we trust.”



Peter Drift Restaurant



“One day I was thinking of the business I could create. I have a captain’s licence for 12 passengers and had worked in the past preparing food on-board ships.

I came across this fisherman’s statue on Main St. in Bayfield with an empty building behind it. It felt like a sign. I began thinking about how I could create a restaurant experience that would connect the lake to the town. I dreamt up the idea of ‘Drift’, a restaurant that would serve Asian-inspired cuisine both in the village restaurant, as well as by boat, allowing customers to enjoy a meal and the beautiful Lake Huron sunset.

Owning a business can be hard and it really helps to have solid people who will reassert you in your corner. I was drawn to Mainstreet because they were open and receptive to my ideas when I approached them as a prospective business owner. My Mainstreet business advisor, Doreen, is incredible! She listened to everything, read my business plan from start to finish and has been like a coach to me from the start. With Mainstreet I have a financial partner that cares and has genuine concern over the success or failure of my business.

I feel that when you have the ability to create your own food, your own restaurant, and to make stuff you think people will enjoy, and you can do it to the best of your ability, it’s a complete dream come true.”





♥ giving locally where it matters

Congrats to Coach Brian and June of Sarnia's Janie Lax Lacrosse Program, the recipients of Mainstreet's 2017 Big Give award!



Brian and June are the creators of a free lacrosse program for young girls in Sarnia, ON. They volunteer their time several nights a week to run practices and have worked tirelessly to keep this program free to families. Brian and June were carrying all the lacrosse equipment in their vehicle to the many nightly practices and this meant they were constantly loading and unloading it in and out of their garage and van. The Big Give prize of a trailer, and the hitch required to tow it, was a perfect way to invest in the program and make things a little easier for this dynamic volunteering duo!



The Big Give program was introduced by Mainstreet Credit Union in 2015 as a way to recognize a local hero or group that is making a lasting impact in their community. The Big Give program invests in them and their cause so together we can partner together and give back locally in the communities Mainstreet serves across Chatham-Kent, Sarnia-Lambton, London-Middlesex and Huron-Perth.

IN OUR COMMUNITY



United Way

\$17,500 RAISED BY STAFF THROUGH DRESS DOWN FRIDAYS FOR



18K DONATED TO OUR LOCAL HOSPITALS



PUMPKIN RUN
for Chatham-Kent Health Alliance



WINTER WONDERLAND
for Bluewater Health Sarnia



COLOUR RUN
Strathroy Middlesex General Hospital



GODERICH ULTIMUTTS FUNDRAISING EVENT
Alexandra Marine and General Hospital

CREDIT UNION DAY

On October 19, 2017, which was International Credit Union Day, our employees spent the afternoon volunteering their time and giving back to their communities. From cleaning up the local parks, to spending time at nursing homes, to helping with the animals at the local Humane Society, everyone did their part to improve someone's life.



Management's Responsibility for Financial Reporting

The accompanying financial statements of Mainstreet Credit Union Limited and all the financial information in this annual report are the responsibility of Management and have been approved by the Board of Directors.

The financial statements have been prepared by Management in accordance with International Financial Reporting Standards. When alternative accounting methods exist, Management has chosen those it seems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the financial statements.


Mainstreet Credit Union maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the credit union's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out their responsibility principally through its Audit & Risk Committee. The Audit & Risk Committee is appointed by the Board.

The Committee meets periodically with Management and the external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the annual report, the financial statements and the external auditor's report. The Committee reports its findings to the Board for consideration when approving the financial statements for issuance to the owners.

The financial statements have been audited by Collins Barrow, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the owners. The external auditors have full and free access to the Audit & Risk Committee.


Janet Grantham
PRESIDENT & CEO


Bruce Ross
SVP

Report of the Audit & Risk Committee For the Year Ended December 31, 2017

Mainstreet Credit Union has maintained an Audit & Risk Committee pursuant to Section 125 of the Credit Union and Caisses Populaires Act, 1994. The Committee, which consists of four directors, meets at least quarterly and has adopted a mandate that covers all of the duties in the Regulations to the Act which are specified to be performed by the Audit & Risk Committee.

As delegated by the Board of Directors, the Audit & Risk Committee has primary responsibility for review of the audited financial statements, internal controls, accounting policies and reporting procedures and it has primary contact with the internal and external auditors.

For the year ended December 31, 2017, the Audit Committee met five times.

The Audit & Risk Committee is effectively conducting its affairs in accordance with the Act and the Regulations and has received and continues to receive the full co-operation from management. There are no significant recommendations made by the Audit & Risk Committee that have not been implemented or are in the process of being implemented.

The Audit & Risk Committee is not aware of any other matters that are required to be disclosed pursuant to the Act or the Regulations.

Respectfully submitted by the Audit & Risk Committee.


Steve Kay
CHAIR, AUDIT & RISK COMMITTEE

AUDITOR'S REPORT AND SUMMARIZED FINANCIAL STATEMENTS

To the Members of
Mainstreet Credit Union Limited

The accompanying summarized consolidated financial statements of Mainstreet Credit Union Limited, which comprise the summarized balance sheet as at December 31, 2017 and the summarized statement of earnings, comprehensive income and members' equity and cash flows for the year ended December 31, 2017 are derived from the audited financial statements of Mainstreet Credit Union Limited for the year ended December 31, 2017. We expressed an unmodified audit opinion on those statements in our report dated March 5, 2018. Those financial statements and the summarized financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements. The summarized financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summarized financial statements, therefore, is not a substitute for reading the audited financial statement of Mainstreet Credit Union Limited.

Management's responsibility
for the Summarized 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 these summarized financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard 810, "Engagements to Report on Summary Financial Statements."

Opinion

In our opinion, the summarized financial statements derived from the audited financial statements of Mainstreet 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.



Collins Barrow CK, LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

62 Keil Drive South
Chatham, Ontario
N7M 3G8 Canada

March 5, 2018

NOTES TO SUMMARIZED FINANCIAL STATEMENTS DECEMBER 31, 2017

1. APPLIED CRITERIA IN THE PREPARATION OF THE SUMMARIZED FINANCIAL STATEMENTS

The Criteria applied by management in the preparation of these summarized financial statements are as follows:

- a) the summarized financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS);
- b) the information in the summarized financial statements is in agreement with the related information in the complete financial statements;
- c) a summarized statement of cash flows has not been presented, as the relevant information can be obtained from the complete financial statements; and
- d) the summarized financial statements contain the information necessary to avoid distorting or obscuring matters disclosed in the related complete financial statements, including the notes thereto.

Summarized Statement of Earnings

For year ended December 31,

2017

2016

INTEREST REVENUE

Interest Revenue	\$ 20,065,578	\$ 20,229,408
Investment Income	1,498,238	1,718,834
	21,563,816	21,948,242

INTEREST AND LOAN RELATED EXPENSES

6,976,976 7,084,175

FINANCIAL MARGIN

14,586,840 14,864,067

OTHER INCOME

3,884,177 4,116,013

PROVISION FOR LOSSES ON LOANS

(321,910) (8,807)
18,149,107 18,971,273

EXPENSES

Administrative	4,652,564	5,086,035
Deposit insurance	491,675	496,643
Distributions to members	517,501	497,000
Employee salaries and benefits	9,667,467	9,340,699
Occupancy	1,919,111	1,803,549
	17,248,318	17,223,926

900,789 1,747,347

OTHER INCOME (EXPENSE)

Acquisition costs	-	(356,302)
Rental income	189,356	162,872
	189,356	(193,430)

EARNINGS BEFORE INCOME TAXES

1,090,145 1,553,917

INCOME TAXES

Current	3,709	63,471
Deferred	(10,946)	165,847
	(7,237)	229,318

NET EARNINGS

\$ 1,097,382 \$ 1,324,599

Summarized Statement of Comprehensive Income and Members' Equity

For year ended December 31,	2017	2016
Net earnings for the year	\$ 1,097,382	\$ 1,324,599
Other comprehensive income (loss):		
Unrealized gains and losses on available-for-sale financial assets arising during the year	(711,738)	(155,589)
Unrealized gains and losses on cash flow hedges and interest rate swaps arising in the year	(351,068)	(280,034)
	(1,062,806)	(435,623)
Income tax effect	244,445	100,193
Other comprehensive income (loss)	(818,361)	(335,430)
Comprehensive income	\$ 279,021	\$ 989,169

CONTINGENCY RESERVE

Balance, beginning of the year	\$ 42,306,688	\$ 40,982,089
Net earnings of the year	1,097,382	1,324,599
Balance, end of year	\$ 43,404,070	\$ 42,306,688

ACCUMULATED OTHER COMPREHENSIVE INCOME

Balance, beginning of the year	\$ 656,032	\$ 991,462
Other comprehensive income (loss) for the year	(818,361)	(335,430)
Balance, end of year	\$ (162,329)	\$ 656,032

Summarized Balance Sheet

December 31,	2017	2016
Assets		
Cash resources	\$ 21,155,165	\$ 52,146,970
Investments	45,043,942	44,946,318
Derivative financial instruments	-	350,404
Investment property	798,265	813,556
Loans to members and accrued interest receivable	598,430,225	551,198,926
Capital assets	14,628,067	14,851,646
Deferred tax asset	162,513	165,131
Other assets	912,616	745,278
	\$ 681,130,793	\$665,218,229

Liabilities

Members' deposit and accrued interest payable	\$625,994,818	\$607,968,556
Derivative financial instruments	170,922	170,258
Other liabilities	2,636,521	5,320,923
Deferred tax liability	212,628	226,192
Membership shares	8,874,163	8,569,580
	\$ 637,889,052	\$ 622,255,509

Members' Equity

Contingency reserve	43,404,070	42,306,688
Accumulated other comprehensive income	(162,329)	656,032
	43,241,741	42,962,720
	\$681,130,793	\$665,218,229

On behalf of the board:


Pat O'Malley
 BOARD CHAIR


Steve Kay
 DIRECTOR

BRANCH LOCATIONS

General Inquiries

info@mainstreetcu.ca

Ailsa Craig

135 Ailsa Craig Main Street
PO Box 190
Ailsa Craig, ON N0M 1A0
519 293-3947

Brigden

2394 Jane Street
Brigden ON N0N 1B0
519 864-1026

Chatham - Keil

40 Keil Drive South
Chatham ON N7M 3G8
519 436-4590

Chatham - Queen St. Branch

835 Queen St.
Chatham ON N7M 2K5
519 360-1313

Chatham - Union Gas Branch

50 Keil Dr North
Chatham ON N7M 5M1
519 436-4590
Open to Union Gas staff only.

Corunna Branch

201 Hill Street
Corunna ON N0N 1G0
519 862-5225

Goderich

39 St David St,
Goderich, ON N7A 3Y5
519 524-8366

Mount Brydges Branch

22478 Adelaide Road
Mount Brydges ON N0L 1W0
519 264-9708

Parkhill Branch

260 Main Street, PO Box 338
Parkhill ON N0M 2K0
519 294-6277

Port Lambton

4348 St. Clair Parkway
Port Lambton ON N0P 2B0
519 677-5652

Sarnia - Exmouth St Branch

412 Exmouth Street
Sarnia ON N7T 5N9
519 464-5460

Sarnia - London Road

1295 London Road
Sarnia ON N7S 1P6
519 542-9059

Strathroy Branch

214 Caradoc Street South
Strathroy ON N7G 2P1
519 245-2530



25,077

Numbers of Members



13

Number of Branches



16th

Overall in Ontario
Credit Unions



\$681

Million in Assets



\$157

Million in Mutual Funds