

ANNUAL REPORT 2019



MESSAGE FROM THE CHAIR OF THE BOARD OF DIRECTORS & CEO

It's late-March 2020 and as I wrap up our 2019 annual report we are in the midst of a time in history I don't think any one of us could have ever imagined.

This past week marked the first day of spring, which typically brings with it the promise of warmth and a fresh beginning, instead we are in unprecedented times with the COVID-19 pandemic generating havoc across Canada and the world.

It happened quickly. We moved from markets at their strongest and great overall growth to a rapid decline in the stock market and three cuts to our prime rate. We watched across our country and the world as schools, from pre-school to post-secondary, and then "non-essential" businesses like restaurants, hair salons, retail stores, closed their doors as government leaders told us to stay home and physically distance from one another as we attempt to lessen the spread of this fast-moving virus and #flattenthecurve.



There is so much on our minds at this difficult time but I find myself spending the most time thinking of our staff. I never thought there would be a time where my front-line staff would be putting their own health and safety at risk to provide financial services to our members. Through this challenging time I have never been prouder of them and their dedication to our credit union and members. I am also thankful for our managers and leaders for their support as well as their drive and creativity to find ways to work through the challenges that emerge daily.

Janet Grantham

What has made this new reality so difficult is the uncertainty. We are left wondering for how long? Will this be enough? What will the world and our country and economy, as well as local communities be like when this is over?



Across our country, province and local communities we have been called to work together for our greater health and well-being. Our staff have remained steadfast in their resolve to ensure our members have continued access to financial services at this stressful time.

Darrin Canniff

In late-2019, your board and senior leaders worked together to develop a new three-year strategic plan which is focused on the core themes of: member engagement, banking convenience, financial literacy, and community engagement.

Ensuring our services are available to you, whenever and however is most convenient for you, has never been more important than it is today with the need to stay home due to COVID-19. We are putting all measures in place to ensure that “social distancing” doesn’t impact your ability to connect with our staff and your finances. We are pleased we can offer our members the latest technology from online banking and our mobile app, to e-transfers and Google, Samsung and Apple Pay.

We continue the important work of expanding our full-service digital offering with the goal of members soon being able to:

- open an account or apply for a loan online
- add additional products to their membership
- be reminded of product renewals online

- sign their documents digitally without needing to step foot in a branch
- conduct a virtual meeting with your advisor from the comfort of your home, office, or farm

Our staff know our members. We are here to support you and provide advice that meets your unique financial needs. During these tough times, for some we will be a sounding board and the encouraging voice you need to stay the course with your financial plan, while for others we may be your partner in working to uncover financial options to help you, your family, or your business weather this storm.

We are here for you.

Yours cooperatively,

Janet Grantham

Mainstreet Credit Union
PRESIDENT & CEO

Darrin Canniff

Mainstreet Credit Union
BOARD CHAIR

2019 HIGHLIGHTS



member survey satisfaction rating



employee engagement



deposit growth targets exceeded



net income came in better than budget



member share of wallet continued to perform better than plan



loan growth was excellent and only slightly behind our intended amount

Investing in our members and local communities

\$70K



invested in local events, important charity causes, and donations

\$16,750



employee dress down donations to 4 local United Way chapters

\$438K



in profits shared with our members



Completed upgrades to our e-Transfer features with our partner Interac®



Mobile wallet

In late 2019 we completed all the work to become the first financial institution to launch all 3 mobile wallet products together in one day in January 2020

1,048 new members joined Mainstreet in 2019

20,923 total members

248 people 'referred a friend' to Mainstreet

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 Baker Tilly, 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



Sandy Ferguson
SVP Finance

Report of the Audit & Risk Committee For the Year Ended December 31, 2019

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, 2019 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.



Pat O'Malley
CHAIR, AUDIT & RISK COMMITTEE

Independent Auditor's Report

To the Members of Mainstreet Credit Union Limited

Report on the Audit of the Summarized Financial Statements

Opinion

We have audited the accompanying summarized financial statements of Mainstreet Credit Union Limited, which comprise the summarized balance sheet as at December 31, 2019 and the summarized statement of earnings, comprehensive income and members' equity, cash flows and the notes to the summarized financial statements for the year ended December 31, 2019 and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying summarized financial statements present fairly, in all material respects, the summarized financial position of the Credit Union as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Credit Union in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the preparation and fair presentation of the annual report. Our audit opinion does not express an audit opinion or any form of assurance on such other information prepared by management. We have reviewed the annual report and nothing has come to our attention that is inconsistent with the information contained in these summarized financial statements.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the summarized financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of summarized financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the summarized financial statements, management is responsible for assessing the Credit Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Credit Union or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Credit Union's financial reporting process. The board of directors are charged with governance of the Credit Union.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the summarized financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these summarized financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the summarized financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the summarized financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the summarized financial statements, including the disclosures, and whether the summarized financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Baker Tilly CK, LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS
Chatham, Ontario, March 3, 2020

Summarized Statement of Earnings

For year ended December 31,	2019	2018
INTEREST REVENUE		
Interest revenue	\$ 24,868,716	\$ 22,542,655
Investment income	1,399,510	915,094
	26,268,226	23,457,749
INTEREST AND LOAN RELATED EXPENSES		
	10,011,694	7,632,779
FINANCIAL MARGIN		
	16,256,532	15,824,970
OTHER INCOME		
	4,167,822	4,130,184
PROVISION FOR DOUBTFUL ACCOUNTS		
	(298,806)	109,475
	20,125,548	20,064,629
EXPENSES		
Administrative	4,926,351	4,784,913
Deposit insurance	575,591	567,772
Distribution to members	661,700	804,523
Employee salaries and benefits	10,966,199	10,192,180
Occupancy	1,681,801	1,851,194
	18,811,642	18,200,582
	1,313,906	1,864,047
OTHER INCOME		
Rental income	190,462	167,510
Loss on disposal of assets	(62,783)	-
	127,679	167,510
NET INCOME BEFORE INCOME TAXES		
	1,441,585	2,031,557
INCOME TAXES		
Current	299,495	582,246
Deferred	(29,834)	(42,697)
	269,661	539,549
NET EARNINGS		
	\$ 1,171,924	\$ 1,492,008

Summarized Statement of Comprehensive Income and Members' Equity

For year ended December 31,	2019	2018
Net earnings for the year	\$ 1,171,924	\$ 1,492,008
Unrealized gains and losses on cash flow hedges arising in the year	(52,607)	320,179
Income tax effect	13,862	(84,367)
Other comprehensive income (loss)	(38,745)	235,812
Comprehensive income	\$ 1,133,179	\$ 1,727,820
CONTINGENCY RESERVE		
Balance, beginning of the year	\$ 44,786,488	\$ 43,404,070
Adjustment for adoption of IFRS 9	-	(109,590)
Adjusted balance, beginning of the year	44,786,488	43,294,480
Net earnings for the year	1,171,924	1,492,008
Balance, end of year	\$ 45,958,412	\$ 44,786,488
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)		
Balance (deficit), beginning of the year	\$ 73,483	\$ (162,329)
Other comprehensive income (loss) for the year	(38,745)	235,812
Balance, end of year	\$ 34,738	\$ 73,483

Summarized Balance Sheet

December 31,	2019	2018
Assets		
Cash resources	\$ 33,577,167	\$ 8,401,518
Investments	52,266,290	46,608,128
Derivative financial instruments	-	58,419
Investment property	1,056,510	873,831
Loans to members and accrued interest receivable	679,578,089	639,006,554
Capital assets	13,629,038	14,224,418
Assets under capital lease	278,570	-
Deferred tax asset	220,086	179,227
Other assets	922,282	872,028
	\$781,528,032	\$710,224,123
Liabilities		
Short-term loan	-	\$ 3,000,000
Members' deposits and accrued interest payable	692,319,249	644,986,522
Derivative financial instruments	225,060	-
Current portion of capital lease	93,529	-
Other liabilities	3,095,385	3,286,885
Deferred tax liability	197,670	186,645
Membership shares	9,906,871	9,242,327
Securitization	29,510,667	4,661,773
	735,348,431	665,364,152
CAPITAL LEASE OBLIGATIONS	186,451	-
	735,534,882	665,364,152
Members' Equity		
CONTINGENCY RESERVE	45,958,412	44,786,488
ACCUMULATED OTHER COMPREHENSIVE INCOME LOSS	34,738	73,483
	45,993,150	44,859,971
	\$781,528,032	\$710,224,123

On behalf of the board:



Pat O'Malley

CHAIR, AUDIT & RISK COMMITTEE



Darrin Canniff

BOARD CHAIR

Summarized Statement of Cash Flow

December 31,	2019	2018
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net earnings	\$ 1,171,924	\$1,492,008
Other comprehensive income (loss)	(38,745)	235,812
	1,133,179	1,727,820
Items not requiring cash:		
Unrealized (gains) losses on cash flow hedges and interest rate swaps	283,479	(326,739)
Unrealized losses on available-for-sale financial assets	-	6,560
Depreciation of capital assets and investment property	1,013,272	893,426
Loss on disposal of capital assets	62,783	-
Deferred income taxes	(29,834)	(42,697)
	2,462,879	2,258,370
Change in non-cash working capital items:		
Decrease (increase) in other assets	(50,254)	40,588
Increase (decrease) other liabilities	(135,444)	594,304
Increase (decrease) in loan loss provision	301,932	(28,570)
	2,579,113	2,864,692
FINANCING ACTIVITIES		
Increase in member loans	(40,873,467)	(40,547,759)
Increase in member deposits	48,018,631	19,361,383
Subscription to member shares	373,099	406,470
Redemption of member shares	(394,458)	(407,984)
Proceeds of securizations liabilities	27,179,677	4,957,238
Repayment of securization liabilities	(2,330,783)	(295,465)
	31,972,699	(16,526,117)
INVESTING ACTIVITIES		
Purchase of capital assets	(600,307)	(584,094)
Purchase of investment	20,267,048	(9,381,117)
Proceeds on maturity of investments	(26,042,904)	7,872,989
	(6,376,163)	(2,092,222)
INCREASE (DECREASE) IN CASH RESOURCES	28,175,649	(15,753,647)
CASH RESOURCES, BEGINNING	5,401,518	21,155,165
CASH RESOURCES, ENDING	\$ 33,577,167	\$ 5,401,518

NOTES TO SUMMARIZED FINANCIAL STATEMENTS DECEMBER 31, 2019

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.

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 - Enbridge

50 Keil Dr North
Chatham, ON, N7M 5M1
519 436-4590
Open to Enbridge only

Corunna

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

Goderich

39 St David St,
Goderich, ON, N7A 1L4
519 524-8366

Mount Brydges

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

Parkhill

B-260 Main Street
Parkhill, ON, N0M 2K0
519 294-6277

Port Lambton

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

Sarnia - Exmouth St

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

Sarnia - London Road

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

Strathroy

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