



CREDIT UNION
mainstreet

ANNUAL REPORT **2013**





Together we are stronger.

This single sentence encapsulates this past year’s activities at Mainstreet, as well as provides a glimpse in to what the year ahead can hold for our evolving cooperative organization.

Looking back on 2013, we rang in not only a new year, but a new opportunity as Sydenham and Unigasco Community Credit Union joined together to officially become Mainstreet Credit Union on the very first day of the calendar year.

With this new year of opportunity, in 2013 we also introduced:

- A new brand to represent Mainstreet that focuses on our 3 key value commitments to friendly and personalized service, our local communities, and providing financial services rooted in trust and integrity.
- A new streamlined product line-up for both our personal and business account offerings.
- The integration of our two in-branch banking systems to allow members seamless access across our 8 branch locations, and an updated and enhanced online banking experience for previous Unigasco members.

Always looking for ways to strengthen our Credit Union, as the year progressed we were pleased to discover a new partnership opportunity with Lambton Financial Credit Union in Sarnia. This proposed partnership for late-spring 2014, will allow us together to increase our branch network to 13 locations overall; make further investments in resources to improve our member service offering; and expand and enhance our community giving back and volunteer program.

We know that by joining together we will strengthen our organization, as well as our ability to raise awareness of our unique cooperative banking offering across Southwestern Ontario where big banks heavily dot the landscape.

At Mainstreet we offer a unique approach to financial management and advice – one that not only focuses on the numbers, but also on what those numbers mean to you in your life and the life of your family. It’s why we as individuals save – whether it’s for that next memorable family vacation, our child’s university education, or a comfortable, worry-free retirement – that’s what financial numbers are about – opportunities to invest in our lives and the lives of our loved ones.

For our own numbers Mainstreet is pleased to report for the 2013 fiscal year an overall asset size of over \$332 million invested by our over 13,000 members.

We also celebrate top marks, for the ninth consecutive year Canadians again ranked credit unions number one in the category of Overall Customer Service Excellence in the 2013 Best Banking Awards. This is a key reason why as Mainstreet grows and evolves, we remain committed to our co-op roots and what we have always done best- personally investing in you our members and continuing our commitment to investing our time and resources into our communities where we work, play and live.

Sincerely,

Tomo Matesic
MAINSTREET CREDIT UNION BOARD CHAIR

Janet Grantham
MAINSTREET CREDIT UNION PRESIDENT & CEO

Your Current Mainstreet Board of Directors

Tomo Matesic	President
Michael Cadotte	Vice President
Sue Bork	Director
Darrin Canniff	Director
Bryan Crouch	Director
Paul Harris	Director
Steve Kay	Director
Craig Smith	Director
Colleen Wilson	Director

Brand/Community Report



In spring 2013 **Mainstreet celebrated the launch of our new brand!** From a sign unveiling event at our Strathroy Branch to new signs, clothing and more, we are thrilled with our look!



In summer 2013 Mainstreet hosted three **outdoor movie nights** in Ailsa Craig, Chatham, and Lambeth. Families were treated to a free movie under the stars and delicious popcorn!



Mainstreet is proud to announce a total of **\$9,000** was donated to the **Chatham and London-Middlesex United Way** chapters from Mainstreet's annual 2013 campaign.



In June 2013 Mainstreet was thrilled to award our **Young Leaders of Tomorrow** scholarship prizes to **William Conner Stirling** (\$3,000 grand prize) who was attending his last year at Humber College and **Nicole Kirkpatrick** (\$1,000 runner up) attending her first year at Western University in the fall.



Mainstreet staff spread the Christmas cheer during the holiday season through a canned food drive in partnership with the **Ontario Credit Union Charitable Foundation** to benefit our community food banks.

The Chatham region staff also continued their annual tradition of forgoing their own secret santa and Mainstreet and staff donated a total of over **\$1200 to benefit Children's Services Christmas Gift Project** for families in need in the Chatham-Kent area.



On October 15, 2013 Mainstreet partnered with, and financially sponsored, the **Daffodil Planting Project** in partnership with the Chatham Sunrise Rotary Club to beautify the roadway entrance to the City of Chatham.

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 Canadian generally accepted accounting principles. 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 judgements. 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 Committee. The Audit 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 BDO Dunwoody Chartered Accountants, 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 Committee.



Janet Grantham
PRESIDENT &
CHIEF EXECUTIVE OFFICER



Shawna O'Neill
VP FINANCE

Report of the Audit Committee For the Year Ended December 31, 2013

Mainstreet Credit Union has maintained an Audit Committee pursuant to Section 125 of the Credit Unions 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 Committee.

As delegated by the Board of Directors, the Audit 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, 2013, the Audit Committee met five times.

Some of the Audit Committee's significant functions during the year included reviewing the year ended December 31, 2012 audited financial statements for both Unigasco Community and Sydenham Credit Unions, reviewed the Enterprise Risk Management (ERM) reports, as well as recommended board approval of BDO's proposal to provide internal audit services to Mainstreet for the next three years.

The Audit 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 Committee that have not been implemented or are in the process of being implemented.

The Audit 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 Committee.



Darrin Canniff
CHAIR, AUDIT COMMITTEE

Report of the Independent Auditor on the Summary Financial Statements

To the Members of Mainstreet Credit Union Limited

The accompanying summary financial statements, which comprise the summary statement of financial position as at December 31, 2013, and the summary statement of comprehensive income are derived from the audited financial statements of Mainstreet Credit Union Limited for the year ended December 31, 2013. We expressed an unmodified audit opinion on those financial statements in our report dated March 4, 2014. 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 auditing financial statements of Mainstreet 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. The summary presented is only the statement of financial position and statement of comprehensive income. It does not include any other schedules or the notes to financial statements. The statement of financial position and statement of comprehensive income are presented in the same detail as the audited financial statements except the note referencing has been removed.

Auditor's 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 (CSA) 810, "Engagements to Report on Summary Financial Statements".

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of Mainstreet Credit Union Limited for the year ended December 31, 2013 are a fair summary of those financial statements, in accordance with management criteria as outlined in the Management's Responsibility for the Summary Financial Statements.

BDO Canada LLP

BDO Canada LLP

Chartered Accountants,
Licensed Public Accountants

425 Caradoc Street South, Unit E
Strathroy, ON N7G 2P5 Canada

March 4, 2014

Statement of Financial Position

Mainstreet Credit Union Limited Statement of Financial Position

December 31	2013	2012
Assets		
Cash and short term deposits	\$6,563,185	\$9,271,041
Investments	26,612,470	12,886,837
Derivative financial instruments	124,546	19,107
Loans to members	295,004,238	152,898,563
Property, plant, and equipment	4,123,943	3,168,300
Deferred income tax asset	75,600	26,800
Other assets	59,670	56,448
	\$332,563,652	\$178,327,096
Liabilities		
Bank overdraft and short term loans	\$2,000,000	\$-
Member deposits	305,866,068	164,509,936
Derivative financial instruments	3,139	8,381
Other liabilities	2,175,478	980,889
Deferred income tax liability	60,300	77,600
Member shares	7,439,187	3,929,591
Total Liabilities	317,577,172	169,506,397
Members' equity		
Retained earnings	14,280,353	8,380,542
Accumulated other comprehensive income	706,127	440,157
Total members' equity	14,986,480	8,820,699
	\$332,563,652	\$178,327,096

Statement of Comprehensive Income

Mainstreet Credit Union Limited Statement of Comprehensive Income

For the year ended December 31	2013	2012
Interest revenue		
Interest on member loans	\$11,646,437	\$7,375,974
Investment income	499,117	304,835
	<u>12,145,554</u>	<u>7,680,809</u>
Interest and loan related expenses		
Interest on member deposits	<u>3,940,409</u>	<u>3,098,053</u>
Other interest expense	(15,768)	19,417
Financial margin	<u>8,220,913</u>	<u>4,563,339</u>
Other income	<u>1,799,878</u>	<u>1,110,091</u>
Provision for losses on loans	<u>(342,539)</u>	<u>(282,913)</u>
	<u>9,678,252</u>	<u>5,390,517</u>
Operating Expenses		
Administrative	2,490,835	1,531,025
Deposit and loan life insurance	9,203	7,031
Deposit insurance	249,346	143,933
Employee salaries and benefits	4,597,906	2,500,901
Distributions to members	245,855	180,914
Occupancy	536,483	295,758
	<u>8,129,628</u>	<u>4,659,562</u>
Gain on acquisition	<u>4,574,043</u>	<u>-</u>
Income before income taxes	<u>6,122,667</u>	<u>730,955</u>
Provision for income taxes		
Current income tax expense	217,243	120,605
Deferred income tax expense	5,613	19,900
	<u>222,856</u>	<u>140,505</u>
Net income for the year	<u>\$5,899,811</u>	<u>\$590,450</u>
Other comprehensive income (loss) income (net of income taxes)		
Change in unrealized gain/loss on cash flow hedges	\$77,681	\$(48,529)
Change in unrealized gain/loss on available for sale investments fair market value	188,289	197,897
Total other comprehensive income (loss) for the year	<u>265,970</u>	<u>149,368</u>
Total comprehensive income for the year	<u>\$6,165,781</u>	<u>\$739,818</u>

CREDIT UNION
mainstreet
www.mainstreetcu.ca

Administrative Office

32 Front Street East
Strathroy, ON N7G 1Y4

Ailsa Craig

135 Ailsa Craig Main Street
PO Box 190
Ailsa Craig, ON N0M 1A0

Chatham (40 Keil)

40 Keil Drive South
Chatham, ON N7M 3G8

Union Gas

50 Keil Drive North
Chatham, ON N7M 5M1

Chatham (Queen St.)

835 Queen Street
Chatham, ON N7M 2K5

Lambeth

4562 Colonel Talbot Road
Lambeth, ON N6P 1B1

Mount Brydges

22478 Adelaide Road
Mount Brydges, ON N0L 1W0

Parkhill

260 Main Street
PO Box 338
Parkhill, ON N0M 2K0

Strathroy

214 Caradoc Street South
Strathroy, ON N7G 2P1