



ANNUAL
REPORT 2016



come in. compare. come out ahead.

Our Vision

OCCU will continue to maintain our status of being one of the best Credit Unions in Ontario by providing excellent banking services and by committing to meet or exceed the financial needs of our members.

Our Mission

OCCU's mission is to maintain our profitability while providing financial services and products in a unique delivery style that supports our continuous commitment to all our members and to our community.

Oshawa Community Credit Union Board of Directors and all employees are committed to:

- Respecting the dignity and privacy of individuals.
- Assisting in the development of each person's self-reliance.
- Providing quality service and competitive products.
- Protecting the financial resources of our members.
- Improving the quality of life for people within our community.
- Operating within sound business policies, the Act and Regulations.
- Honouring the philosophy of "**People Helping People**".



come in. compare. come out ahead.

**77th Annual General Meeting
Agenda**

**Meeting of Tuesday, April 4, 2017 at 7:00 p.m.
At the Oshawa Community Credit Union
Main Floor**

1. Registration
2. Adoption of the Agenda
3. Adoption of the Minutes of the previous Annual General Meeting
4. Report of the Chairman, Board of Directors
5. Report of the Chief Executive Officer
6. Report of the Credit Manager/Commercial Lender
7. Report of the I.T. Specialist and Support Manager
8. Report of the Audit Committee
9. Report of the Auditor
10. Reports of the Other Committees
11. Unfinished Business
12. New Business;
 - a) Report of the Nominating Committee and Elections
 - b) Appointment of the Auditors
 - c) Other Business that is properly brought to the attention of the Board of Directors
13. Adjournment

Annual General Meeting
Tuesday, April 5, 2016 at 7 p.m.

H. Berkers, Chair of the Board of Directors, called the meeting to order at 7 p.m. with 31 members and 4 visitors in attendance at the Oshawa Community Credit Union office.

H. Berkers opened the meeting and welcomed everyone to the 76th Annual General Meeting for Oshawa Community Credit Union Limited.

The membership observed a moment of silence in memory of our deceased members.

H. Berkers introduced the members of the Board and announced the various committees of the Board.

H. Berkers also introduced the new Associate Directors Arjun Muraltheelaran and Correna Blair (absent). The Associate Directors were selected September 2015 and have provided great value to the Board of Directors.

H. Berkers introduced L. Gaudette, CEO and the following guests:

Brian Mullan, Deposit Insurance Corporation of Ontario (DICO)
 Sharan Wilson, Dan Lawrie Insurance Broker
 Mike Rouke, Tinkham and Associates

H. Berkers reported 31 members and 4 visitors in attendance. H. Berkers declared a quorum existed according to By-Law #1 which requires a minimum of 20 members to constitute a quorum.

**Moved by R. Vanderkwaak, seconded by J. Moore:
 That the Agenda be accepted.**

Motion carried.

**Moved by M. Goodson, seconded by J. Zamora:
 That the Minutes of the 75th Annual General Meeting of March 31, 2015 be accepted.**

Motion carried.

H. Berkers presented the Report of the Board of Directors.

During this time of unprecedented low interest rates, OCCU has continued to prosper and grow organically through the efforts of the staff and our members.

- OCCU has strengthened our financial position by adding \$239,000 to members' equity and growing the capital to 11.26%.
- OCCU is pleased to announce that for the 10th consecutive year, profit sharing and dividends were distributed to our 3,767 members at December 31, 2015, in the amount of \$192,435.78 (2015 profits) for an aggregate 10 year total of \$3.7 million.

H. Berkers thanked the members for choosing OCCU as their "financial institution of choice" and thanked all the employees for providing our membership with excellent service and support.

**Moved by D. Brady, seconded by S. Clark:
 That the Report of the Chairperson be accepted.**

Motion carried

Question: What is the 7.25% bonus interest? L. Gaudette explained that based on the 2015 profits the Board of Directors approved to pay a bonus interest of 7.25% which is paid on interest earned by members in 2015.

Question: How many new memberships were opened in 2015? K. Reid stated that we experienced a net decline of approximately 50 members. The trend over the years indicates the decline is slowing down. There are 10 – 15 new memberships opened monthly.

Question: Do we know if the banks are also losing clients? L. Gaudette stated that we do not have stats on the banks clientele. It appears that the trend with credit unions across Canada is that they are experiencing the same decline due to aging memberships and members passing on. Accounts are changing to estate accounts and then being closed as the children are moving their inherited money to their main financial institution (funds are not necessarily staying at OCCU). J. Remillard commented that although we are not growing in membership numbers, our assets continue to grow which supports that fact that members are utilizing a lot of our services and we are increasing our “wallet share”.

H. Berkers called upon L. Gaudette, CEO to present her report.

L. Gaudette presented the CEO’s Report for the year ending December 31, 2015:

- OCCU continues to meet or exceed regulatory requirements. In January 2015, a successful Anti-Money Laundering /Terrorist Financing Audit by Financial Transaction Report Analysis Center (FINTRAC) was completed. In May 2015 OCCU was rated effective in all areas by the Deposit Insurance Corporation of Ontario (DICO).
- It was recently announced that the Credit Union and Caisses Populaires Act review will include an increase for our members deposit insurance coverage from \$100,000 to \$250,000 by the summer of 2016. There is a negative change whereby the Ministry of Finance is proposing to reduce unlimited insurance to \$250,000 on each Registered Deposit products (RRSPs, RRIFs, RESPs, RDSPs and TFSA’s). Central 1 is lobbying against this change.
- Ontario Credit Unions Image Campaign continues to advertise that we were the 1st to introduce many beneficial services; 1st to offer ATM’s, 1st to offer loans to women, 1st to offer debit cards and the 1st to offer weekly loan payments.
- At the March 22, 2016, Annual Business Planning session, the Board of Directors agreed to reduce the current funding to local charities by half in order to introduce free accounts to members 30 years of age and under. Our member median age is 58 and we need to increase our efforts to attract younger members to reduce our median age. This program will be introduced in early June. OCCU currently offers free accounts members 25 years of age and under. E Transfers are also free to our Platinum and Youth members.
- L. Gaudette announced that our long time employee D. Carey retired last June. This change provided an opportunity for other full time staff to be promoted and to learn different functions.
- In February 2016, Karen Reid announced that she plans on retiring in March 2017. K. Reid has been an employee of OCCU for 40 years and we will greatly miss her wealth of knowledge.
- L. Gaudette recognized OCCU’s staff and recognized their years of service with OCCU.
- L. Gaudette announced to the membership that with approval from the Board of Directors the management team will focus on investigating options that will benefit our staff and the Oshawa Community Credit Union in meeting future challenges. OCCU is looking to partner with other “like minded” credit unions. Whether it be a merger, acquisition or other partnering opportunities, OCCU’s ultimate goal is to continue to provide excellent financial services to our members, ensure that we continue to be profitable and sound, and that we continue to employ our valued staff. Management is in early stages of investigating our options and will keep our lines of communication open between the Board, employees and members.

L. Gaudette provided special thanks to our team, “who make my job the best one a person could ever have”. It is a pleasure to work with such a great group of people daily with the staff and members, as well as working

monthly with the Board of Directors. A big thank you to our members for choosing OCCU for their banking services.

**Moved by M. Goodson, seconded by R. Vanderkwaak:
That the CEO's Report be accepted.**

Motion carried.

Questions: The Government is adding undue pressure on seniors and what is the credit unions future speculation on helping seniors with their limited income? L. Gaudette stated that we currently offer No Fee Accounts for members 60 and older. We also offer some "investment specials" depending on our liquidity demands. The added feature unique to OCCU is the bonus interest and loan rebates paid to members over the past 10 years.

Question: Is there a list available of credit unions that are interested in partnering or merging? L. Gaudette stated that we are unable to disclose that information as we have all signed Confidential Agreements. We are in early stages of discussions and there are currently 5 interested GTA credits unions.

Question: When will the membership know more about the new partnership with other credit unions? L. Gaudette stated that our goal is to provide full transparency on the progress if and when there is progress. Communications will be provided regularly.

H. Berkers called upon J. Remillard to present the Credit Manager's Report.

J. Remillard asked G. Greer to stand up and be recognized for his years of service with OCCU. G. Greer is a financial consultant and has worked with OCCU for 18 years. He brings a wealth of knowledge to OCCU and has been a big contributor to the financial success of OCCU.

J. Remillard presented the Credit Manager's Report for the year ending December 31, 2015:

- The 2015 target growth of 4% was almost achieved. The actual growth results were 3.95%.
- The residential mortgage portfolio increased by 5.04%, commercial mortgages increased by 4.61% while personal loans decreased by 23.42%.
- OCCU continues to promote the Mortgage Referral Program. The average referral paid is \$1,400. This program continues to attract the younger borrowers and we urge our membership to refer their grandchildren, nieces, nephews and friends as they are the future generations that will secure the future operations of OCCU.
- The loan department has reported zero (0) delinquency for the past 16 months. Special thanks to our lenders for working with our members when there is any sign of financial hardship.
- OCCU continues to collect on written off bad debts from years ago which is added to our current income.

Question: Is there insurance for delinquent accounts? J. Remillard stated that there is insurance for CMHC or Genworth Mortgages if they become delinquent. All other loans are not insured and loan losses affect the income and retained earnings.

J. Remillard announced the November 2015 hiring of our new part-time Loan Officer, K. Grieger. K. Grieger was previously employed as a Mobile Mortgage Agent with TD Canada Trust. Members asked about a Mobile Mortgage Agent functions? Mobile Mortgage Agent would meet outside of office hours to accommodate financing mortgages. OCCU does not have a dedicated mobile mortgage agent however management and staff will accommodate our members when requested.

Moved by J. Cartwright, seconded by J. Zamora:

That the Credit Manager's Report be accepted.

Motion carried.

H. Berkers called upon K. Reid to present the Member Service Manager's Report.

K. Reid presented the Member Service Manager's report for the year ending December 31, 2015:

- OCCU installed a new ATM in September 2015. A new machine was required due to the software support requirements.
- OCCU had zero (0) fraud losses in 2015 which could be attributed to the upgraded technology for debit cards.
- OCCU will be introducing a Flash Card and we expect to roll out this new service in the summer of 2016.

Question: Is the Flash Card Secure? K. Reid stated that the Flash Cards are intended for small purchases and have low cash daily limits (\$100). Once the member reaches \$200 over a few days of purchases, a pin code is required by the member and the card is then re-set. Statistics have indicated that fraud losses are minimal due to the low limits issued with the card.

Question: Will the card be available to use at the teller counter as ID? K. Reid stated that there is technology available but OCCU is not investigating this option at this time.

Question: Will OCCU be introducing the service of "cheque deposit by picture"? K. Reid stated that the credit unions were first to offer this service but OCCU will not be introducing this service at this time. It appears that with all the new payment technology, cheques are no longer the preferred payment method.

K. Reid thanked L. Gaudette for her kind words and retirement well wishes. She also thanked the Board of Directors for their continued support.

Moved by D. Brady, seconded by K. Bulloch:

That the Member Service Manager's Report be accepted.

Motion carried.

H. Berkers called upon E. Brazier, Chair of the Audit Committee, to present the report.

E. Brazier, Chair of the Audit Committee Report to present the report:

- The Committee is comprised of 3 directors and the held 9 meetings since the last AGM.
- The Committees main function is to assist the Board in fulfilling its oversight responsibilities.
- The Committee reviewed the year-end financial statements and discussed the results directly with the external auditor.
- The Committee reviewed the reports from Internal and External Auditors activities and ensured regulatory filings were submitted on time.
- There are no matters that the Committee believes should be reported to the members and no issues to be disclosed pursuant to the ACT or the Regulation.

Moved by K. Bulloch, seconded by D. Nicholls:

That the Audit Committee Report be accepted.

Motion carried.

H. Berkers called upon M. Rouke, C.A. (Tinkham and Associates) to present the 2015 External Auditor Report and December 31, 2015 Financial Statements:

- The scope of the audit was outlined as stated in the Engagement Letter presented to the Audit Committee and management.
- In the opinion of the auditors the financial statements are presented within International Financial Reporting Standards (IFRS) and is within OCCU's operating standards.

- Assets for 2015 at \$87.8 million compared to \$84.7 million in 2014.
- Assets increased by over \$3 million primarily due to new deposits and \$2.4 million of these funds were used to finance the loan portfolio.
- Financial margin remains stable at \$2 million and is slightly below the \$2.1 million reported in 2014.
- Net Comprehensive Income for 2015 was \$239,167 compared to 2014 at \$291,329.
- Other Revenue at \$331,395 million in 2015 compared to \$296,234 million in 2014.
- Total Expenses for 2015 was \$1.967 million which is a slight increase from the \$1.934 million for 2014.
- Liquidity is just over 17% which is well above regulatory requirements.

M. Rouke stated that the Condensed Financial Statements are included in your AGM report. The full financial statements, including the auditor's notes, are available at your request.

Question: What is under "other revenue"? M. Rouke stated that there are many items to list a few: account fees, miscellaneous fees and rental income.

Question: Why is the audit report not signed personally? M. Rouke stated that he is part of an accounting firm and the report is signed on behalf of the firm not one person. This is a known practice in the industry. The associates are listed above in the report of the independent auditors.

Question: Liquidity of 17%, this is not listed in the summary? M. Rouke stated that the Liquidity Statement is written in the full auditor's summary report. Liquidity calculation is 17% of our member deposits or \$13.253 million as of December 31, 2015.

**Moved by R. Vanderkwaak seconded by J. Cartwright:
That the Audited Financial Statements for the year ending December 31, 2015 be accepted.
Motion carried.**

H. Berkers called upon R. Vanderkwaak, Chair of the By-Law, Policy and Standard/Criteria Committee to present the report.

R. Vanderkwaak presented the Policy/By-Law Committee Report:

- OCCU operates in a highly regulated environment which requires a comprehensive collection of policies guiding our operation. The Committee works closely with Management to keep pace with the changing regulatory and industry standards.
- Money laundering policies were reviewed and enhanced. The Board is very fortunate to have professional and knowledgeable employees to keep the directors up to date on regulation guidelines.
- The Committee reviewed many other policies throughout the year including the newly appointment of L. Gaudette as Chief Risk Officer for OCCU.

Question: What strategies are in place to detect money laundering or terrorist financing? R. Vanderkwaak stated that we follow specific guidelines from FINTRAC for reporting requirements.

**Moved by R. Vanderkwaak, seconded K. Bulloch:
That the By-Law, Policy and Standard/Criteria Committee Report be accepted.
Motion carried.**

H. Berkers called upon D. Nicholls, member of the Budget/Planning Committee, to present the report in the absence of the Committee Chair, G. Paterson.

D. Nicholls presented the Budget/Planning Committee Report:

- The Committee worked with Management to develop a comprehensive 2016 Annual Business Plan and Budget that was presented and adopted by the Board of Directors at their meeting held on March 22, 2016. The plan addresses key targets and set financial goals for the year ending December 31, 2016.
- This year, the Committee met 3 times and received great input from the Associate Directors who provided input from a “youth perspective” hence the proposed “no fees” for age 30 years and under.

**Moved by D. Nicholls, seconded by R. Vanderkwaak:
That the Planning Committee Report be accepted.**

Motion Carried.

H. Berkers called upon W. Clark, member of the Maintenance Committee to present the report.

W. Clark presented the Maintenance Committee Report and highlighted projects that were completed by Management during 2015:

- New security alarm system was installed.
- New surveillance system and new cameras were installed
- Teller area and safety deposit box area for members were upgraded to allow for more privacy and security.

**Moved by W. Clark, seconded by J. Moore:
That the Maintenance Committee Report be accepted.**

Motion carried.

H. Berkers called upon K. Bulloch, Chair of the Nominating Committee, to present the report.

K. Bulloch presented the Nominating Committee Report:

- The Committee carries out the responsibilities of the nominating process and ensures candidates are qualified under the By-Laws.
- The Directors held a “meet and great” night in February 2016 and invited all interested members to attend to learn more about becoming a director.

K. Bulloch thanked the management team for their contributions and dedication to the Credit Union.

**Moved by K. Bulloch, seconded by W. Clark:
That the Nominating Committee Report be accepted.**

Motion carried.

H. Berkers called for any new business.

H. Berkers turned the Chair over to K. Bulloch to address the Nomination Process.

The 3 candidates (incumbents) have been acclaimed and will each serve a 3 year term.

K. Bulloch introduced the candidates and asked to them to address the membership with a short speech:

G. Paterson – Absent (K. Bulloch spoke on his behalf)

D. Nicholls

J. Moore

K. Bulloch turned the Chair back over to H. Berkers.

H. Berkers called upon R. Vanderkwaak, Chair of the Policy/By Law Committee to present the proposed By Law change.

**Moved by R. Vandkerwaak, seconded by K. Bulloch
Under Bylaw 5.2 Qualifications:**

A member is eligible for election to the position of director if the member:

a) As been a member of the Credit Union for at least six (6) continuous months, is at least eighteen (18) years of age and is a Canadian citizen or a person lawfully admitted to Canada for permanent residency who is ordinarily reside in Canada. **Motion carried.**

R. Vanderkwaak advised that the Board of Directors agreed that the change will allow new members an opportunity to be a potential board member.

H. Berkers called upon E. Brazier, Chair of the Audit Committee to explain the external audit selection process.

E. Brazier informed the membership that there are a limited number of accounting firms that specialize in credit union audits. The Board and Management have been very satisfied with the services provided by Tinkham and Associates resulting in the recommendation to commission the 2016 auditing services to this company.

**Moved by E. Brazier, seconded by J. Zamora:
That OCCU appoint Tinkham and Associates, Chartered Accountant firm as external auditors for the fiscal year 2016.**

Motion carried.

H. Berkers thanked the membership for their dedication and attendance this evening. She thanked all the Board of Directors for their support and contribution of their hard work that makes this Credit Union a successful organization. She also thanked the staff and management for their dedication and commitment.

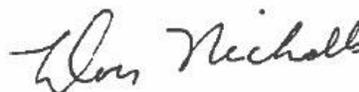
**Moved by W. Clark, seconded by D. Brady:
That the meeting be adjourned.**

Motion carried.

Meeting adjourned at 8:30 p.m.



H. Berkers, Chair



D. Nicholls, Secretary

Report from the Board of Directors

Your Board of Directors; 9 plus 2 Associate Directors, met 11 times over the course of the year. Operating with the following committees: Audit, Policy, Maintenance, Planning, Nominating and Executive Committees. The monthly agenda for the Board of Director meetings include the review of our financial statements and recommendations brought forth by the various Board committees.

Your Credit Union continues to be well capitalized. At the end of 2015, OCCU reported capital of 11.26%. As a result of the 10% asset growth, our capital declined to 10.46% at December 31, 2016 which is still well above our minimum policy limit of 6.5%. At the end of December 2016, assets were \$96.4 million.

Your Credit Union continues to be profitable. Even with historically low interest rates, the net income for 2016 was \$133,071 after dividends, bonus interest, loan interest rebates and corporate taxes.

For the 11th consecutive year your Board of Directors approved profit sharing with members, distributions paid in dividends, rebates and bonus interest to members in good standing as of December 31, 2016 were as follows:

- 2.66% Class B Special Share Dividend paid “in kind” at a cost of \$56,271
- 3.0% Membership and Patronage Share Dividend paid “in kind” at a cost of \$16,024
- 2.65% Loan/Mortgage Interest Rebate paid in cash at a cost of \$49,365
- 5.00% Deposit Bonus Interest paid in cash at a cost of \$48,864

At the Board level, requirements for legislated compliance for Credit Unions remain high. The Board of Directors are responsible to ensure that our policies are refined and updated on an ongoing basis and that OCCU is complying with all the regulatory requirements mandated by the Deposit Insurance Corporation of Ontario (DICO).

Strong pressures from the competition combined with a low interest rate environment continue to be OCCU’s main challenges. While offering competitive pricing, management continues to work with staff to align cost efficiencies without compromising member service quality.

Your Board of Directors are responsible for the long term strategic plan of OCCU. The financial services industry is changing at a very rapid pace. OCCU’s business plan takes us 5 years from now with many factors to consider, including updating our technology to meet onerous regulatory reporting; applications that appeal to the youth; succession planning to attract qualified new members to the Board; and an ongoing review of the Enterprise Risk Management which assesses both local and global issues that may affect OCCU.

The number of Ontario Credit Unions is declining with 72 operational, as of November 2016. Your Board of Directors are cognizant of the increasing challenges facing Credit Unions. OCCU continues to look at all options to serve its membership into the future with a high level of service and security of their investments.

OCCU remains committed to supporting our community. We recognize and thank our Board, Staff, Management and members for their loyalty and hard work.

In conclusion, employees, management and the Board of Directors collectively have joined efforts to ensure we work within a highly regulated framework and provide our 3,707 members with a financially strong Credit Union. Thank you to our members for choosing OCCU for your financial services.

Respectfully,



Henrietta Berkers, Chair

Report from the Chief Executive Officer

Dear Members

It is with a great sense of shared accomplishment that I report to you on another successful year at OCCU. 2016 marked a year of record deposit growth of 10.78% and record loan growth of 16.06%. OCCU reported a surplus of approximately \$133,000 for an aggregate Retained Earnings amount of \$7.2 million. With our Class B Special Shares, OCCU has an excess of \$3.8 million in Capital above our minimum policy requirement. This extra Capital will accommodate another \$60 million in asset growth.

With historically low interest rates, OCCU's financial margin is at 2.02% which is below our budget of 2.11%. OCCU is depending more on "other income" such as our rental income from the tenants as well as the income generated from participating in large Commercial Mortgage Syndications.

Our largest expenses for 2016 are Salaries, Benefits and Payroll Taxes at \$1.1 million. As part of our succession planning, Management hired 2 new full time employees in 2016. OCCU is proud of our long tenured employees who have a wealth of knowledge and provide excellent member service.

OCCU has been on the same banking software platform since 1998. With the increasing advances in technology, and the fact that OCCU would like to attract more youth to bank with us, it is imperative that we look at all of our current technology and see where we can improve. Our goal is to be prepared to meet the new and ongoing financial needs for you, your family and your businesses for many years to come.

On behalf of OCCU, I have been working with Central 1's Act Review Committee and have played an active role in the efforts to amend the Credit Unions and Caisses Populaires Act (CUCPA). Our group has lobbied the Ontario Government to provide Credit Unions with a more level playing field and in February 2016 the Ontario Budget announced proposed changes to Credit Union deposit insurance levels (up to \$250,000); subsidiary ownership; the ability of municipalities to deposit with Credit Unions; interprovincial loan syndication among Credit Union and strengthening of the Credit Union consumer protection framework.

In closing, I would like to thank you for placing your trust in our team at OCCU for your financial needs. We appreciate your business and referrals, and it is our honour to serve you.

Sincerely,



Lori A. Gaudette, CEO
ACUIC/FCUIC

Report from the Credit Manager/Commercial Lender

As your Credit Manager and Commercial Lender, I am pleased to report that your Credit Union continues to benefit from a profitable loan portfolio. The department reviewed a total of 175 loans for an aggregate amount of \$31,609,451. OCCU granted 150 loan products for a sum of \$29,389,578 (double the amount granted in 2015) of which \$26,440,641 was new funding.

OCCU budgeted growth for 2016 was 4%, while actual growth was 16% resulting in the portfolio being at its highest level ever at \$73,728,979. Residential mortgages increased by \$6,405,711 or 13%, commercial mortgages increased by \$3,774,302 or 30% while personal loans increased by \$19,553 or 1%. The loan portfolio represents 76.5% of total assets with the following diversification: Residential Mortgages (76%), Commercial Mortgages (22%), Personal Loans and Lines of Credit (2%). Since most of our loan portfolio consists of secured mortgages, the risk exposure to loss is minimal.

The Mortgage Rewards Club referral program pays on average \$1,400 per referral, resulting in close to \$22,469 (up 60% from 2015 and up 150% from 2014) in referral fees to members that have referred family and friends. This program continues to attract younger borrowers which is key to OCCU's continued growth.

OCCU's credit risk exposure is set by the Board of Directors, who ensure that management has a framework with policies and procedures in place to manage credit risk. OCCU is in compliance at the business and transactional level. Monthly reports with respect to credit risk are provided to the Board of Directors and includes non-compliance issues, bad debts and the allowance for doubtful loans report. We experienced zero delinquency for our second consecutive year (2015 & 2016) which is reflective of both the loan portfolio quality and the Credit Union working closely with members who might experience financial difficulties. DICO (Deposit Insurance Corporation of Ontario) regulations, under By-law #6, set a ceiling for delinquency of 1.60% of the total loan portfolio. OCCU is well below this threshold at zero percent (0%).

Continued product innovation, service excellence and competitive pricing contribute to our success.

Respectfully,



John Remillard, ACUIC, FCUIC
Credit Manager/Commercial Lender

Report of the IT Specialist & Support Manager

As with previous years, Oshawa Community Credit Union Limited has continued working with our data system provider to meet new and changing financial industry standards in 2016.

OCCU has recently implemented a scheduled backup system for every computer used in day to day business. This provides peace of mind that data lost by any means can be easily recovered with minimal downtime.

The in-house storage used for the backups has since expanded to be used as a file sharing platform throughout the office; this is eventually intended to replace our outsourced file sharing system which will save both time and money.

A long-needed upgrade was also completed for the office's wired network. The cables originally run in 1998 were removed and replaced with faster and more robust CAT6 cables, and terminated into rack-mounted switches. The network cable was also re-run through the ceiling and raised properly to ensure no damage to the cables in the future.

We have recently updated our phone service provider from Bell to Rogers, which also included a new internet service to run alongside our Bell internet. The phone line upgrade will pay for itself by the second year, and the second internet line will be essential in providing redundancy and improved productivity for all staff members.

This year we introduced Interac *Flash* – a technology for debit cards that allows payments under a certain amount to be completed without entering a PIN at the POS terminal. We originally started distributing the new cards at the end of September 2016 and now have almost 700 cards in the hands of members.

Our internet banking site has received some additional layers of security. By including personal verification questions in the login process and updating password complexity requirements, online banking accounts are more secure than ever.

OCCU continues to actively communicate electronically with our members using Facebook, Twitter and E-Blasts for Credit Union news and updates. We have also held contests and “business spotlights” on our social media to reward new and existing members alike. If you have not yet provided us with your e-mail address or connected with us on our social media, we encourage you to do so and join our growing community.

Despite it being my first year in my position, I believe that myself and the rest of the OCCU team completed many projects in 2016 that will have a lasting positive impact on the future of the credit union. Thank you to the Board of Directors, my fellow management team, all employees and our members for their continued support.

Sincerely,

Jakob Henninger

Jakob Henninger,

IT Specialist & Support Manager

Report from the Audit Committee

All credit unions are controlled by specific legislation at both the provincial and federal levels. Our Credit Union also has By-Laws and other governing documents which spell out the purpose of all of our internal committees. All of this serves to protect the best interests of our members. The primary purpose of an Audit Committee is to assist the Board in monitoring the integrity of (a) the financial statements of the Credit Union, (b) the external and internal auditors' qualifications and performance, and (c) the Credit Union's compliance with legal and regulatory requirements.

Our Board receives financial statements at our meetings during the year. Our Committee meets at least once a quarter and more often if required. One of the functions during those meetings is to meet with our internal auditor and our internal accountant to receive reports on their activities. I am pleased to report that the reports that we receive, on not just financial statements but our adherence to the various rules and regulations governing our Credit Union, have been very positive.

I attended two courses during the year as required under legislation. One was on the Role of Governance in our business and the other was on the Role of the Audit Committee. I was pleasantly surprised to determine, based on what was taught and what I gleaned from other participants, that we are operating very efficiently. It is my opinion that, if we were to get report cards on our activities, we would score in the nineties. As members, and owners, of the Oshawa Community Credit Union, you should be comfortable knowing that we are well governed and financially accountable.

We are financially sound and meet or exceed all of our own goals and those imposed on us by legislation.

I would like to thank Don Nicholls, a long standing Board member, and Eugene Brazier, another long standing Board member and also a professional accountant for their work on this Committee.

Respectfully submitted,



Howard Smith, FCPA, FCA,
Chair

Committee Members:
Eugene Brazier, CPA, CGA
Don Nicholls, FCUIC

Tinkham & Associates LLP

CHARTERED ACCOUNTANTS

D C Tinkham, FCPA, FCA, LPA, CMC
Associates

P J Brocklesby, CPA, CA, LPA

M Tkachenko, CPA, CA

MWG Rooke, CPA, CA, LPA

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REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENT

To the Members of
OSHAWA COMMUNITY CREDIT UNION LIMITED

The accompanying condensed financial statements, which comprise the summary balance sheet as at December 31, 2016 and the summary statement of comprehensive income for the year then ended, are derived from the audited financial statements of the Oshawa Community Credit Union Limited for the year ended December 31, 2016. We expressed an unqualified audit opinion on those financial statements in our report dated January 17, 2017. 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 the Oshawa Community 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 in accordance with International Financial Reporting Standards.

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 Standards 810, "Engagements to Report on Summary Financial Statements".

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of Oshawa Community Credit Union Limited for the year ended December 31, 2015, are a fair summary of those financial statements in accordance with International Financial Reporting Standards.

Toronto, Ontario
February 6, 2017

Tinkham & Associates LLP
CHARTERED ACCOUNTANTS

Licensed Public Accountants

**OSHAWA COMMUNITY CREDIT UNION LIMITED
SUMMARY BALANCE SHEET
AS AT DECEMBER 31, 2016**

	2016	2015
ASSETS		
Cash	\$ 5,390,915	\$ 5,945,339
Investments	16,005,939	17,092,288
Accrued interest	341,161	243,241
Receivables and prepaid	100,037	169,186
Member loans receivable	73,541,658	63,366,092
Income taxes receivable	23,201	2,363
Future income tax asset	46,822	46,822
Capital assets	974,240	997,741
	\$ 96,423,973	\$ 87,863,072
 LIABILITIES, MEMBER ENTITLEMENTS AND MEMBERS' EQUITY		
Accounts payable and accrued liabilities	\$ 223,679	\$ 220,218
Member entitlements	86,244,425	77,869,370
Members' share capital	2,655,591	2,610,841
Retained earnings	7,118,761	6,985,690
Accumulated other comprehensive income	181,517	176,953
	\$ 96,423,973	\$ 87,863,072

Approved on behalf of the Board:

 Director

 Director

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

OSHAWA COMMUNITY CREDIT UNION LIMITED
SUMMARY STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2016

	2016	2015
Interest income		
Interest on residential mortgages	\$ 1,666,323	\$ 1,609,356
Interest on personal loans	124,817	127,861
Interest on commercial loans	596,187	578,701
Investment income	409,276	491,969
	<u>2,796,603</u>	<u>2,807,887</u>
Interest expense	<u>727,565</u>	<u>755,096</u>
Financial margin	2,069,038	2,052,791
Other revenue	<u>288,396</u>	<u>331,395</u>
	<u>2,357,434</u>	<u>2,384,186</u>
Expenses		
Advertising	71,554	83,067
Cash costs and clearing charges	104,872	110,998
Central 1 fees	14,925	14,776
Convention, training and annual meeting	47,611	42,468
Data processing	122,048	107,358
Depreciation	71,741	81,136
Insurance	115,782	117,016
Mortgage fees	22,670	12,917
Office	122,606	117,937
Occupancy	130,317	129,311
Professional services and consulting	86,010	84,480
Provision for (recovery of) losses on loans	23,838	32,377
Salaries and benefits	1,093,840	1,033,880
	<u>2,027,814</u>	<u>1,967,721</u>
Income before dividends and provision for taxes	329,620	416,465
Member dividends, bonus interest, and rebates	171,687	161,418
Provision for taxes	<u>24,862</u>	<u>29,690</u>
Net income for the year	133,071	225,357
Other comprehensive income (net of taxes)	<u>4,564</u>	<u>13,810</u>
Net comprehensive income	<u>\$ 137,635</u>	<u>\$ 239,167</u>

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

Report from the Policy/By-Law Committee

The Policy/By-law Committee is required to review, analyze and monitor certain policies annually to ensure that these policies comply with any new legislative or regulatory changes. The Committee meets to study and recommend changes that the management team may bring to the Committee, who in turn must bring such recommendations to the Board for approval.

This year the Committee reviewed and revised the following policies:

1. Code of Conduct Policy, Electronic Communication, Devices and Access;
This policy was out of date and was amended to address electronic communication, devices and access to OCCU's networks and information systems.
2. Human Resource Policy, Occupational Health and Safety;
This policy was updated to meet the Ontario Health and Safety Legislation requirements.
3. Human Resource Policy, Workplace Violence and Harassment;
This policy was updated to meet the required amendments under Bill 132 effective September 8, 2016.
4. Member Service Policy, Account Types;
Members up to and including 30 years of age are now eligible to hold an Advantage Account. This account type offers service charge free (some exceptions apply) and was introduced to attract the youth June 1, 2016.
5. Oshawa Community Credit Union is required to comply with the Proceeds of Money Laundering Terrorist Financing Act (PCMLTFA) and fight against money laundering and terrorist financing. The Financial Transaction and Reports Analysis Center of Canada (FINTRAC) collects, analyzes and discloses financial information and intelligence on suspected money laundering and terrorist financing activities. It was created as part of a Canadian government initiative to fight money laundering and terrorist financing, both domestically and internationally. This year OCCU contracted vCAMLO (Virtual Compliance Anti Money Laundering Officer) to assist with monitoring, reporting, training and to ensure policies/procedures are maintained and up to date. The Board passed a motion to adopt Anti Money Laundering and Terrorist Financing Policies and Procedures as presented by vCAMLO.

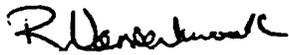
In addition, the Committee reviewed and amended as appropriate, various operating policies for clarity or as result of DICO regulatory changes, including:

- Liquidity Policy
- Structural Risk Policy
- Credit Policies
- Operational Risk Policy
- Market Risk Policy
- Corporate Governance Policy
- Capital management Policy

We received valuable input from our Auditor, Rick Belsby, when these policies were reviewed and modified.

We are very fortunate to have such knowledgeable and professional staff to help us stay informed and up to date with new important requirements and regulations. The members of this Committee work hard to ensure that our Members' deposits and investments are well protected. I am most grateful to Eugene Brazier and Kim Bulloch for their support and commitment to this task.

Respectfully submitted,



Roy E. Vanderkwaak CIM,
Chair

Committee Members:
Eugene Brazier, CPA, CGA
Kim Bulloch

Report from the Budget and Planning Committee

The finalized Annual Business Plan for 2016 was completed on March 8, 2016 and was approved by the Board of Directors on March 22, 2016. The following highlighted issues were identified during the Board planning session for 2016:

1. Staffing: OCCU hired 2 new full-time employees in 2016 to accommodate pending retirements. The majority of our employees are eligible to retire and Management will focus on succession planning.
2. Collective Agreements: the full-time employees collective agreement expires September 2019 and the part-time employee collective agreement expires September 2020 (negotiated in June 2016).
3. Financial targets were set and the results exceeded expectations in asset growth, deposit growth, loan growth and income.
4. In the 2016 Annual Business Plan the Board of Directors committed to the following: “for long term planning, the Board of Directors will actively engage in reviewing the pros and cons of mergers / acquisitions and will consider opportunities that arise.”

The Executive Committee has been given direction to review merger and acquisition opportunities on behalf of the Board. On May 11, 2016, an Executive Committee Member met with a large Credit Union for discussions. On May 25, 2016, another Executive Committee Member met with a group of 3 smaller Credit Union Board Members. The discussions were focussed more on sharing back office functions with OCCU taking the lead. Due to OCCU’s focus on our succession planning and the substantial financial commitment, the smaller Credit Union project was not pursued.

In September 2016, the Executive Committee requested a second meeting with the larger Credit Union to follow up from the May 11, 2016 discussions. The Board of Directors need to consider the long term sustainability and viability of OCCU. Our objective is to ensure that we do what is best for our members. With the investigation, the business case will present objective information relating to economies of scale, possibilities of additional services and improved technology.

The Committee would like to thank all Board members, management and staff for their continued support of the many projects that are introduced annually. Together we can achieve our goals.

Respectfully submitted,



Warren Clark, B.I.E
Chair

Committee Members:
Gillis Paterson, CPA, CMA
Vice Chair
Jackie Moore
Don Nicholls, FCUIC

Report from the Maintenance Committee

2016 turned out to be a busy maintenance year and the Committee is pleased to announce the upgrades that were completed.

In May 2016 the Board approved contracting Pacific Lighting and Energy to upgrade the lighting in the building to LED. It is estimated that OCCU will consume 74% less energy with the new bulbs (which have to be replaced much less often). OCCU also qualified for a 28.85% rebate through the Ministry of Ontario's Save on Energy Retrofit Program. The return on investment is projected to be 1.95 years.

In June 2016 the Board approved contracting Advantage Airtech to install an "Energy Save Device" for the three Heating, Ventilation and Air Conditioning Units (HVAC). Under the Ontario Power Authority Program the government offered a 50% rebate to businesses who switched to the Energy Save Device. The Energy Save Device is an electronic compressor control unit that improves energy efficiency by 20 – 30% without the loss of comfort. The return on investment is 1.84 years.

In June 2016 the Board approved contracting Telcom Enterprises to facilitate changes to our telephone and internet lines. As a result, OCCU can expect an estimated cost savings of 44% and overall improved communications and services.

The Board of Directors also approved the renewal leases of Group 4 Securities (G4S) and Remax Jazz. G4S occupies a unit on the second floor and has been a tenant of OCCU since 2006. Remax Jazz leases 7 – 10 parking spaces on the east side of the building.

The Committee wishes to thank the management team for their huge part in these endeavors, and to the Committee members for their valued input and dedication to the Credit Union.

Respectfully submitted,



Warren Clark, B.I.E.
Chair

Committee Members:

Jackie Moore
Gilis Paterson, CPA, CMA

Report from the Nominating Committee

The Nominating Committee is responsible for the nomination process and conducting the elections at the Annual General Meeting. The Committee interviews the candidates running for a position on the Board, ensures that candidates qualify under the Credit Union and Caisses Populaires Act, Regulations, Credit Union By-laws and Policies. The Nomination Committee assures that candidates are fully aware of the legal, ethical and moral obligations required from a Board member. There are personal benefits of helping to serve the community and benefits of learning the intricacies for leading a successful co-operative financial institution.

In 2013, the Board of Directors approved to introduce an Associate Director position to serve with the Board of Directors. In September 2015 two Associates Directors were selected and have brought great value and a fresh perspective to the Board structure.

The Associate Director Position is not an elected position therefore Board of Directors voting privileges do not apply. By gaining valuable experience and insight while serving as an Associate Director, this Associate Director may be a strong candidate for an elected position in the future. Young adults between the ages of 18-30 years interested in contributing to the future success of OCCU are urged to apply for the position.

Special thanks to the management team and to the Committee members for their contribution and dedication to the Credit Union.

Respectfully,

A handwritten signature in cursive script that reads "Jackie Moore".

Jackie Moore,
Chair

Committee Members:

Kim Bulloch

Howard Smith, FCPA, FCA

Board of Directors		Term Expiry
Henrietta Berkers	Chair of the Board	2017*
Eugene Brazier,	Member of the Audit Committee Member of the Policy/By-Law Committee	2017*
Warren Clark	Chair of the Maintenance Committee Member of the Budget and Planning Committee	2017*
Roy Vanderkwaak,	Vice- Chair of the Board Chair of the Policy/By-Law Committee	2018
Howard Smith	Chair of the Audit Committee Member of the Nominating Committee	2018
Kim Bulloch	Member of the Policy/By-Law Committee Member of the Nominating Committee	2018
Jackie Moore,	Chair of the Nominating Committee Member of the Maintenance Committee Member of the Budget and Planning Committee	2019
Don Nicholls,	Secretary of the Board Member of the Audit Committee Member of the Budget and Planning Committee	2019
Gil Paterson,	Member of the Budget and Planning Committee	2019

Associate Directors

Correna Blair	Member of the Budget and Planning Committee	since September 2015
Arjun Muraleetharan	Member of the Budget and Planning Committee	since September 2015

Employees of Oshawa Community Credit Union

Lori Gaudette	Chief Executive Officer (Complaints Officer)
John Remillard	Credit Manager, Commercial Lender (Privacy Officer)
Karen Reid	Member Services Manager (Retired - March 31, 2017)
Linda Treen	Administration Manager (Compliance Officer)
Jakob Henninger	I.T. Specialist and Support Manager (New Position 2016)
Greg Greer	Chief Financial Officer (On Contract since 1999)
Sharan Yarrow	Level III
Teresa Brudek	Level III
Carolyn Terrion	Level II
Lori Kelly	Level II
Jackie King	Level II
Lori Hunsley	Level II
Margaret Love	Level I
Sarah Broderick	Level I (new full-time employee – Oct. 2016)
Ann Menheere	Level I (part-time employee – effective Oct. 2016)

Community Donations for 2016

Advisory Council of Small Credit Unions
Durham Attack Volleyball Club
Durham Children's Aid Society
Durham Medical – Colleen's Fund for Children
Durham Regional Crime Stoppers
Grandview Children's Foundation
Howells Motorsport
Joys Angels
Neighbourhood Association Sports Committee
Oshawa Curling Club
Oshawa Golf and Curling Club Bonspiel
Oshawa Fire Services
Oshawa Hospital Foundation Cancer Care
Oshawa Senior Citizen Centers
Pipes N' Powers
Red Cross – Alberta Tires
Salvation Army – Angel Tree
Superwalk for Parkinson's
YWCA Durham



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