

**CELEBRATING**  
**40 YEARS**

**ANNUAL GENERAL MEETING**  
**EDUCATION CREDIT UNION**

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**ANNUAL REPORT**

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**EDUCATION CREDIT UNION**

**2011**

# 40th ANNUAL GENERAL MEETING

## AGENDA

- |           |                                      |
|-----------|--------------------------------------|
| 5:45 p.m. | Reception                            |
| 6:30 p.m. | Welcome and Dinner                   |
| 7:45 p.m. | Meeting:                             |
|           | 1. Roll Call                         |
|           | 2. Approval of Agenda                |
|           | 3. Minutes of AGM 2010               |
|           | 4. Reports:                          |
|           | a. Board of Directors                |
|           | b. CEO                               |
|           | c. Financial Statements              |
|           | d. Auditors' Report                  |
|           | e. Audit Committee                   |
|           | 5. Business Arising from the Reports |
|           | 6. New Business                      |
|           | ▪ ECU By-laws                        |
|           | 7. Elections                         |
|           | 8. Door Prize Draw \$400             |
|           | 9. Adjournment                       |

**Education Credit Union Limited**  
**Thirty-Ninth Annual General Meeting Minutes**  
**November 30, 2010**

Our thirty-ninth Annual General Meeting was held at the Concordia Club, Kitchener, and everyone enjoyed a country-style meal of wiener schnitzel and chicken.

Bryan Kaufman, Chair of the Board and Kevin Turner, Vice-Chair, began the meeting by introducing the members of the Board of Directors. Jennifer Crits, Board member, welcomed our special guests and thanked the Credit Union Representatives for their contributions in providing information to the staff at their schools/locations throughout the past year.

The business meeting began with the announcement that 250 members and 17 guests in attendance, constituting a quorum.

MOTION: To approve the agenda for the 2010 Annual General Meeting.  
(Mike Yessis, Bill White)  
CARRIED

MOTION: To approve the minutes of the 2009 Annual General Meeting.  
(Gary Schlueter, Rob Duke)  
CARRIED

There was no business arising from the minutes.

REPORTS:

MOTION: To receive the Board of Directors' Report.  
(Terry Weldon, Richard Hutchinson)  
CARRIED

Bryan Kaufman began the report by introducing Melanie Mondoux, the new CEO of the Education Credit Union. He stated that Melanie has been an employee of ECU for the past nine years as Senior Financial Representative with 20 years prior experience in the credit union system. Brian added additional information relating to her extensive financial background and related education in the industry. He also summarized Melanie's belief in ECU's unique culture, that of a full service, cashless, financial co-operative. Brian emphasized Melanie's familiarity and comfort with new technologies while maintaining the fundamentals of personal service with attention to individual preferences.

Bryan referenced the Board of Directors' report contained within the Annual Report booklet, while explaining some of the changes reflected in this year's printed material. He pointed out that due to changes in the Credit Union and Caisses Populaire Act, the Loan Officer's Report would no longer be included. He also explained that the new International Financial Reporting Standards were in evidence in the notes area of the financial statements, creating a substantial increase in the number of pages, from 10 to 22, accompanying the figures. For that reason, the notes were eliminated from the booklet as a cost saving measure although they are available through the credit union office upon request. In addition, the consolidated AGM flyer was not produced or mailed to members, however, the booklet was published on-line in advance of the Annual General Meeting.

MOTION: To receive the CEO's Report.  
(Jim Marshall, John Ready)  
CARRIED

The CEO's Report, presented by Melanie Mondoux, contained a summary of the financial results for the 2009/2010 fiscal year. The powerpoint presentation provided a summary of Income and Reserves as at September 30, 2009, with Income Before Taxes of \$9,438, and improvement over last year's loss of \$297,310. With the acquisition of a 3rd branch, we may see a decline in profits for a short term. An emphasis on cost control and increased growth will continue.

Melanie pointed out an increase in our reserves of \$181 thousand which is a reflection of the purchase in assets of Canadian General Tower Employees' Credit Union. She explained that our balance sheet remains strong with a growth of 9.1% over last year. Our loans are at \$128.6 million, with 65% secured by solid physical assets. Members' deposits increased from \$114.6 million to \$131 million.

For the 12th year, the Board of Directors declared a dividend of 4.55% for Class B Investment Shares. Melanie then summarized our loan portfolio consisting of mortgages at \$117.4, business loans of \$7.9 million, both of which have no delinquency and personal loans of \$25.9 million with an allowance of \$91 thousand as well as a non-specific allowance of \$182 thousand.

Managed assets have continued to grow, averaging an 11.8% increase over the last 5 years.

Melanie then illustrated the growth in branch assets since the implementation of a full service branch in Waterloo, and including the latest acquisition of a branch in Cambridge. She provided figures to show our demographics, with over 63% of members under the age of 54, of which 41% are under 44 and 25% under age 34. We show tremendous potential with members under age 25, due in large part to our dedication in our youth program.

Melanie then went on to recap the Canada-wide launch of chip cards which will help to mitigate fraudulent card activity. Education Credit Union has reissued new Member Cards during the month of October 2010. She shared some card protection tips and explained that all merchants are required to have chip terminals by December 2015.

MOTION: To approve the Auditor's Report as read by Brian Hanna of Meyers Norris Penny, LLP.  
(Derek Otterbien, Darlene King)  
CARRIED

MOTION: To receive the 2010 Audit Committee Report as read by Committee Chair, Kevin Turner.  
(Jim Marshall, Paul Van de Kamer)  
CARRIED

MOTION: To approve the Loan Officer's Report as read by Dennis Daub, CEO.  
(Lilli Kenna, Jim Marshall)  
CARRIED

MOTION: To approve the firm of Meyers Norris Penny, LLP, Chartered Accountants, Cambridge, Ontario, as auditors for the Education Credit Union for the fiscal year 2010/2011.  
(Terry Weldon, Mike Yessis)  
CARRIED

Jim Marshall, Chair of the Nominating Committee, took the podium. He provided a summary of the responsibilities of a director serving the ECU membership. He specified that at this year's election there were 3 positions on the board of directors to be filled for a 3 year term. He stated that Cathy Hale and Kenneth McPherson of the current Board of Directors had indicated their intention to stand for election and that Simon Dallimore, Shadow Director, also indicated his intention to run.

Since nominees were required to submit their intention 30 days prior to the annual meeting, with 3 nominees and 3 available positions, Cathy Hale, Kenneth McPherson and Simon Dallimore were elected by acclamation. The newly appointed directors were then presented with the opportunity to speak to the audience.

The 2010/2011 Board of Directors are:

Amber Aird-Williams, Michael Cook, Simon Dallimore, Joseph Doherty, Catherine Hale, Bryan Kaufman, Kevin Turner, Jim Marshall, Kenneth McPherson and Sue Morrison.

Sue Morrison took the podium to pay tribute to retiring directors, Bruce Alexander and Jennifer Crits.

OTHER BUSINESS:

Amber Aird-Williams performed the draw for the \$400 door prize and declared the winner, Ellen Otterbien.

Bryan Kaufman concluded the meeting by offering thanks to the staff for their preparations in making the meeting so successful, and to the membership for their participation. He closed by asking everyone to mark November 29, 2011, on the calendar which is the date for next year's meeting.

MOTION: To adjourn the meeting.  
(Mike Otterbein, Bill White)  
CARRIED



Michael Cook  
Secretary



Bryan Kaufman  
Chair

## The Board of Directors' Report

Credit unions in Ontario operate under the Credit Union and Caisse Populaire Act, 1994. Regulations stemming from the Act mandate how a credit union may carry out its operations. The Ontario Ministry of Finance, the Financial Services Commission of Ontario (FSCO) and the Deposit Insurance Corporation of Ontario (DICO) form the framework that ensures credit unions comply with these regulations.

In 2009, the Act and the regulations underwent review and updating. As a result of the changes, the Education Credit Union conducted a review of its by-laws and is recommending some changes. Any changes to the by-laws require approval of the membership at the annual general meeting. A summary of the changes has been included in the AGM Report you've received this evening. A complete copy of the new by-laws is available on our website.

As part of their role to ensure the safety of deposits, the regulators have indicated that credit unions must adopt a new method of assessing uncertainty in their operations. Enterprise Risk Management, or ERM, has been developed as an on-going process where the credit union board and management strengthen the credit union by actively managing specific risks that could affect their credit union's success.

As a result of this initiative, there will be an increase in staff workload; not only initially but also on-going. Our credit union has joined with other credit unions in a working group to develop an inventory of possible risks. Individual credit unions will then determine their risk profile and tolerance based on the activities of their particular credit union. Once completed, the board of directors will be responsible for overseeing the ERM framework, while management will initiate actions to keep the risks within the determined ranges. Opportunities for director training will be part of this process.

When the Credit Union and Caisse Populaire Act, 1994 originally came into effect, director training had been strongly recommended but not compulsory under the regulations. This has resulted in some boards encouraging director development while others have not. Now, as some system problems have been linked to director competency, the regulators are moving towards a more prescriptive solution. Last August, draft proposals regarding director competency expectations were released for comments. Our board provided written feedback on the proposals. The final guidelines, along with assessment tools, are expected to come into effect by July of next year. Although most of ECU's directors have completed or are completing recognized training programs, any solution will have a compliance requirement. The board will examine our director training and qualifications policies once the final guidelines have been released.

And finally, in our efforts to reduce paper, we would like to thank the membership for supporting e-statements, and also for viewing the full financial report and by-laws through our website. With the need to include a copy of all our by-laws and the ever-growing detail required in the financial notes, the number of pages continues to increase. The paper saving is significant.



Bryan Kaufman, Chair  
On behalf of the Board of Directors

## CEO's Report

The 2011 fiscal year has been filled with change, resulting in unique challenges. The year began with a change in leadership. In October 2010, Dennis Daub moved to a half-time consulting role and I obtained the position of CEO. Although the transition was gradual, the formal retirement in April 2011 of a long-time friend and mentor, has been an adjustment for Board, management, staff, and members alike. I would like to thank all of you for your continued support. We have also made some staffing adjustments between our branches this past year in order to serve our members with continuous, cost-effective services. We hope that you've had a chance to meet all of the new faces at your home branch while encouraging you to use any branch that is convenient for you.

The struggling economy, combined with increased competition and the tightening of mortgage rules, has been especially demanding for our business. As you look at the numbers, you will see the challenges we've faced in trying to meet the growth targets set for this past fiscal year. We have made several cost-saving changes in order to improve our results moving into the next financial year.

Assets Under Administration for the fiscal year end of September 30, 2011 were \$210.4 million. This is a decrease of \$639 thousand from last year. Assets Under Administration include member investments of \$42.9 million held in ECU Wealth Management and member mortgages of \$16.9 million funded by Concentra Financial. The balance sheet, not including Wealth Management and Concentra Financial, showed growth of 4.2%, with assets of \$150.7 million up from \$144.7 million last year.

The Board of Directors declared a dividend of 3.78% on Series 97 and 03 Class B Investment Shares, and 3.72% on the new Series 10 issued this past year in March. Class B Investment Shares continue to provide an excellent rate of return.

Our balance sheet strength is the quality of our assets. The total balance sheet loans are at \$135.4 million, an increase of 5.3% over last year. Our focus has been mortgage growth, which is up 12.1% over last year. Mortgages increased from \$94.7 million to \$106.2 million. With the uncertainty of the global economy and media advising the public to tighten their belts and reduce debt, growing the personal loan portfolio has proven to be difficult. Our personal loans decreased from \$25.9 million to \$21.9 million, or 15.6% over last year.

One of our key initiatives this past year was to move our Cambridge branch to a more functional, visible location. The move was required to provide the same high quality services to our Cambridge members, consistent with our other branches. In May of this year, we purchased a building at 27 Water St N. After extensive renovations, we were very excited about opening the new facility yesterday, November 28th. This branch now has a long-awaited Automated Bank Machine, safety deposit boxes, Wealth Management services and private offices that were all lacking at the previous location. We encourage you to drop in and visit the staff in Cambridge, and to take advantage of everything we can now offer.

In October, we implemented increased authentication for our online banking platform. The purpose of this change was to add an additional layer of security in the form of security questions/answers, a caption and an image, all chosen by the member. Taking advantage of the additional security features that recently became available will also allow for the addition of new services in the future, such as Interac e-Transfers and Me-To-Me Transfers.

Looking forward, with three full service branches, our goal and strategy will be to gain the growth to out-pace our costs, a gradual process in the current economy. With our strong membership base, we want to be your institution of choice. Your support and referral business is important to us. Let us be the people you call first when you need a loan, mortgage or investment. Let our Wealth Management team be your financial advisors. We have expert, professional staff that can look after all your banking requirements.

I would like to thank our staff for their continued commitment of service to our members and, thank our members for their continued support of Education Credit Union.



Melanie Mondoux, CEO  
Education Credit Union



**EDUCATION  
CREDIT UNION**

Personal Financial Solutions

## *Management's Responsibility*

To the Members of Education Credit Union Limited:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Audit Committee are composed entirely of Directors who are neither management nor employees of the Credit Union. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee has the responsibility of meeting with management, and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Credit Union's external auditors.

MNP LLP, an independent firm of Chartered Accountants, is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

November 7, 2011

Chief Executive Officer

Financial Services Manager

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*Auditors' Report On Summarized Financial Statements*

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**To The Members of Education Credit Union Limited:**

The accompanying summarized balance sheet and statements of income and reserves, other income, operating expenses and loan costs are derived from the complete financial statements of **Education Credit Union Limited** as at **September 30, 2011** and for the year then ended on which we expressed an opinion without reservation in our report dated November 7, 2011. The fair summarization of the complete financial statements is the responsibility of management. Our responsibility, in accordance with the applicable Assurance Guideline of The Canadian Institute of Chartered Accountants, is to report on the summarized financial statements.

In our opinion, the accompanying financial statements fairly summarize, in all material respects, the related complete financial statements in accordance with the criteria described in the Guideline referred to above.

These summarized financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles. Readers are cautioned that these statements may not be appropriate for their purposes. For more information on the credit union's financial position, results of operations and cash flows, reference should be made to the related complete financial statements.

*MNP LLP*

**Cambridge, Ontario  
November 7, 2011**

**Chartered Accountants  
Licensed Public Accountants**

**Education Credit Union Limited**  
**Statement of Income and Reserves**  
**Year Ended September 30, 2011**

	2011	2010
<b>Interest Income</b>		
Loans	\$ 2,155,516	\$ 2,365,003
Mortgages	3,762,553	3,675,794
Lines of credit	712,430	665,098
Investments	<u>143,593</u>	<u>125,296</u>
	<u>6,774,092</u>	<u>6,831,191</u>
<b>Interest Expenses</b>		
Interest paid to members	3,790,094	3,714,078
Interest paid on borrowed funds	<u>39,041</u>	<u>51,765</u>
	<u>3,829,135</u>	<u>3,765,843</u>
<b>Interest Margin</b>	2,944,957	3,065,348
<b>Loan Costs (page 11)</b>	<u>120,923</u>	<u>122,187</u>
<b>Net Interest &amp; Investment Income After Loan Costs</b>	2,824,034	2,943,161
<b>Other Income (page 10)</b>	<u>641,658</u>	<u>615,083</u>
<b>Gross Margin</b>	3,465,692	3,558,244
<b>Operating Expenses (page 11)</b>	<u>3,761,432</u>	<u>3,429,002</u>
	(295,740)	129,242
<b>ECU Wealth Management Expense</b>	<u>35,198</u>	<u>119,804</u>
<b>Income (Loss) Before Income Taxes</b>	(330,938)	9,438
<b>Income Taxes (Recovered)</b>	<u>(47,600)</u>	<u>2,500</u>
<b>Net Income (Loss)</b>	(283,338)	6,938
<b>Reserves, Beginning</b>	5,248,009	5,059,726
<b>Acquisition of credit union assets</b>	<u>0</u>	<u>181,345</u>
<b>Reserves, Ending</b>	<u>\$ 4,964,671</u>	<u>\$ 5,248,009</u>

**Education Credit Union Limited**  
**Statement of Other Income**  
**Year Ended September 30, 2011**

	2011	2010
<b>Multi Service Accounts</b>		
Service charges/fees	\$ 146,677	\$ 146,881
MasterCard interchange revenue	22,888	23,214
MasterCard gold fee	2,592	6,624
NSF fees	51,865	32,985
ABM fees	9,240	11,456
Personal cheque orders	<u>1,594</u>	<u>1,961</u>
	<u>234,856</u>	<u>223,121</u>
<b>Lending Services</b>		
Service charges	8,958	19,431
Disability insurance	67,667	17,360
Life insurance	25,787	27,531
PPSA registration	8,320	9,000
Automobile protection association	<u>172</u>	<u>117</u>
	<u>110,904</u>	<u>73,439</u>
<b>Mortgage Fees and Commissions</b>		
Administrative fees	843	0
Mortgage purchase program	77,257	87,054
Interest penalties	74,818	124,486
Discharge fees	20,843	19,150
Renewal fees	4,175	1,790
Home security insurance	<u>5,373</u>	<u>5,593</u>
	<u>183,309</u>	<u>238,073</u>
<b>General Fees and Commissions</b>		
Member services	25,519	17,765
Foreign exchange	31,071	26,234
Travellers cheques	53	0
Travel insurance	2,580	2,838
Money orders	610	485
Safe deposit box rental	4,948	4,994
Income tax service	5,400	5,000
Registered Education Savings Plan	0	20
Home and auto insurance	9,327	9,913
SR&ED income	18,857	0
MasterCard credit card	<u>14,224</u>	<u>13,201</u>
	<u>112,589</u>	<u>80,450</u>
<b>Total Other Income</b>	<u>\$ 641,658</u>	<u>\$ 615,083</u>

**Education Credit Union Limited**  
**Statement of Operating Expenses and Loan Costs**  
**Year Ended September 30, 2011**

	2011	2010
<b>Personnel</b>		
Salaries	\$ 1,290,869	\$ 1,286,901
Benefits	<u>266,664</u>	<u>246,208</u>
	<u>1,557,533</u>	<u>1,533,109</u>
<b>Occupancy</b>		
Building and land taxes	212,508	193,637
Building amortization	49,522	49,970
Building maintenance	<u>135,114</u>	<u>71,858</u>
	<u>397,144</u>	<u>315,465</u>
<b>Member Security Insurance</b>		
Deposit insurance	134,254	118,229
Bonding and property insurance	<u>107,599</u>	<u>97,351</u>
	<u>241,853</u>	<u>215,580</u>
<b>Administrative</b>		
Marketing	104,020	86,825
Legal and audit	54,182	40,902
Data processing	418,309	378,341
Equipment amortization and maintenance	125,458	133,662
Central 1 service charges	51,598	53,330
Supplies and services	29,505	43,006
Administrative	105,721	85,592
Telephone	28,249	27,141
Postage and mailing	109,400	94,542
Credit costs	255,326	119,321
RRSP/RRIF administration fees	24,497	24,353
Electronic banking	<u>176,434</u>	<u>208,264</u>
	<u>1,482,699</u>	<u>1,295,279</u>
<b>Organizational</b>		
Annual meeting	12,175	14,007
Professional development	11,640	4,029
Travel and meals	18,296	6,532
Directors' expenses	<u>40,092</u>	<u>45,001</u>
	<u>82,203</u>	<u>69,569</u>
<b>Total Operating Expenses</b>	<u>\$ 3,761,432</u>	<u>\$ 3,429,002</u>
<b>Loan Costs</b>		
Provision for impaired loans	\$ 120,000	\$ 120,000
Collection charges	<u>923</u>	<u>2,187</u>
	<u>\$ 120,923</u>	<u>\$ 122,187</u>

**Education Credit Union Limited**  
**Balance Sheet**  
**September 30, 2011**

2011

2010

**Assets**

**General Assets**

Cash and bank deposits	\$ 2,732,371	\$ 2,821,663
Investments	10,348,598	11,394,108
Accrued interest receivable	240,297	280,244
Income taxes recoverable	47,933	0
Prepaid expenses	113,869	238,621
Other assets	3,654	6,135
	<u>13,486,722</u>	<u>14,740,771</u>

**Loans To Members**

Lines of credit	1,191,867	1,323,144
Personal	20,708,285	24,613,344
Business	7,242,722	7,884,130
MERITline	13,203,223	12,436,311
Mortgages	93,006,968	82,305,085
	<u>135,353,065</u>	<u>128,562,014</u>

**Property and Equipment**

Cost		
land	170,000	0
construction in progress	439,444	0
building and improvements	935,204	935,204
leasehold improvements	544,250	610,627
furniture and equipment	2,010,747	1,966,392
	<u>4,099,645</u>	<u>3,512,223</u>
Accumulated amortization		
building	493,145	470,948
leasehold improvements	75,280	108,469
furniture and equipment	1,686,415	1,585,334
	<u>2,254,840</u>	<u>2,164,751</u>
Net book value	<u>1,844,805</u>	<u>1,347,472</u>

<b>Total Assets</b>	<b>\$ <u>150,684,592</u></b>	<b>\$ <u>144,650,257</u></b>
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**Education Credit Union Limited**  
**Balance Sheet**  
**September 30, 2011**

	2011	2010
<b>Liabilities And Members' Equity</b>		
<b>General Liabilities</b>		
Borrowings	\$ 3,500,000	\$ 3,500,000
Accounts payable and accrued charges	409,417	382,516
Income taxes payable	0	58,278
Interest payable	1,803,137	1,952,402
Other liabilities	<u>3,654</u>	<u>6,135</u>
	<u>5,716,208</u>	<u>5,899,331</u>
<b>Members' Deposits</b>		
Demand	45,031,645	42,438,589
Guaranteed term	36,101,105	36,489,587
Registered Retirement Savings Plan	36,898,384	36,378,254
Registered Retirement Income Fund	10,299,821	10,008,606
Registered Education Savings Plan	1,420,379	1,239,547
Tax Free Savings Account	<u>6,688,658</u>	<u>4,491,053</u>
	<u>136,439,992</u>	<u>131,045,636</u>
<b>Members' Share Capital</b>		
Membership shares	52,610	55,690
Class B Investment Shares	<u>3,511,111</u>	<u>2,401,591</u>
	<u>3,563,721</u>	<u>2,457,281</u>
	145,719,921	139,402,248
<b>Commitments</b>		
<b>Members' Equity</b>		
Retained earnings	<u>4,964,671</u>	<u>5,248,009</u>
<b>Total Liabilities And Members' Equity</b>	<u>\$ 150,684,592</u>	<u>\$ 144,650,257</u>

Approved on behalf of the board,



Bryan Kaufman, Chair



Kevin Turner, Vice Chair

**Education Credit Union Limited**  
**Statement of Cash Flows**  
**Year Ended September 30, 2011**

	2011	2010
<b>Cash Provided By Operating Activities</b>		
Net income (loss) for the year	\$ (283,338)	\$ 6,938
Items not affecting cash:		
Amortization of property and equipment	<u>157,082</u>	<u>166,153</u>
	<u>(126,256)</u>	<u>173,091</u>
Net change in non-cash operating capital items affecting operations		
(Decrease)increase in accrued interest receivable	39,947	(31,756)
Decrease in prepaid expenses	124,752	21,034
Decrease in other assets	2,481	13,178
Increase in accounts payable and accrued charges	26,901	38,846
(Increase) decrease in income taxes	(106,211)	123,305
Decrease in interest payable	(149,265)	(114,533)
Decrease in unearned revenue	0	(2,157)
Decrease in other liabilities	<u>(2,481)</u>	<u>(13,178)</u>
	<u>(63,876)</u>	<u>34,739</u>
	<u>(190,132)</u>	<u>207,830</u>
<b>Cash Used For Investing Activities</b>		
Increase in loans to members	(6,791,051)	(9,301,013)
(Increase) decrease in investments	1,045,510	(666,721)
Acquisition of credit union assets	0	181,345
Purchase of property and equipment	<u>(654,415)</u>	<u>(133,837)</u>
	<u>(6,399,956)</u>	<u>(9,920,226)</u>
<b>Cash Provided By Financing Activities</b>		
Decrease in term borrowings	0	(4,552,841)
Increase in members' deposits	5,394,356	16,398,813
Increase in members' share capital	<u>1,106,440</u>	<u>112,211</u>
	<u>6,500,796</u>	<u>11,958,183</u>
<b>Increase (decrease) in cash</b>	<b>(89,292)</b>	<b>2,245,787</b>
<b>Cash Position, Beginning of Year</b>	<u><b>2,821,663</b></u>	<u><b>575,876</b></u>
<b>Cash Position, End of Year</b>	<u><b>\$ 2,732,371</b></u>	<u><b>\$ 2,821,663</b></u>
<b>Supplementary Information</b>		
Income taxes paid (recovered)	\$ 58,611	\$ (120,805)
Interest paid	3,978,400	3,880,376

## 2011 Audit Committee Report

The Audit Committee operates pursuant to Section 125 of the Credit Unions and Caisses Populaires Act, 1994. The Education Credit Union's committee consists of a minimum of three directors. For 2010-2011, the Audit committee consisted of four directors - Amber Aird-Williams, Joe Doherty, Ken McPherson and Kevin Turner.

The committee is required to meet quarterly and, during the fiscal year of 2010-2011, met six times.

The Audit Committee has reviewed the policies and procedures governing the way in which it meets the requirements under the Credit Union Act concerning liquidity, capital adequacy and interest rate risk, and have found them to be within our established guidelines.

We met with the external auditors to discuss their outline for the year-end audit and again, after the completion of the audit. The committee is satisfied with the results and reported its findings to the Board.

The Audit Committee is pleased to report to the members of the credit union that ECU is functioning within the requirements of the Act and has fulfilled its annual mandate. The committee receives full co-operation and support from management to enable it to play an effective role in ensuring the quality of financial reporting to the members and enhancing the overall control structure of the credit union.

Respectfully submitted by the Audit Committee.



Kevin Turner  
Audit Chair

# By-Law Summary

We are seeking membership approval to repeal the existing general by-laws of the Education Credit Union and replace them with new general by-laws. The changes primarily consist of housekeeping issues as required by the amended Credit Union and Caisses Populaires Act, 1994. A summary of specific changes are listed below. A full copy of the pending by-laws can be found on our website at [www.ecusolutions.com](http://www.ecusolutions.com) under About Us > Board of Directors.

## **Article Three – Business of the Credit Union**

### **Borrowing**

3.05 The Credit Union shall be authorized to borrow money on the credit of the Credit Union at such rates of interest and on such conditions as the Board may determine, provided that the Credit Union shall not borrow in the aggregate an amount exceeding fifty percent (50%) of its regulatory capital and deposits.

### Summary

The credit union can borrow up to fifty percent (50%) of its regulatory capital and deposits. This is a change from 25%.

## **Article Four – Directors**

### **Qualification**

4.02 Only a natural person who:

- d) is not an employee of the Credit Union, and has not been an employee of the Credit Union in the twenty-four month period immediately preceding the election in which the person seeks election as a director of the Credit Union;

### Summary

An employee of the credit union or a former employee within twenty-four months of separation does not qualify to be a director of the credit union.

## **Article Five – Committees**

### **Nominating Committee**

5.04 The by-laws state that the Board will appoint a nominating committee of three (3) members who will actively seek candidates to serve as directors.

### Summary

The by-laws now state the number of members required on the nominating committee.

## **Article Six – Officers**

### **Appointment**

6.01 The Board shall Appoint a Chair of the Board, a Corporate Secretary, and a Chief Executive Officer, and may Appoint, from time to time, one or more Vice-Chairs (to which title may be added words indicating seniority or function) and such other officers as the Board may determine, and including one or more assistants to any of the officers so appointed. The Board may specify the duties of and, in accordance with these By-laws and subject to the provisions of the Act, delegate to such officers powers to manage the business and affairs of the Credit Union. The Chair and any Vice Chair must be directors. The Chief Executive Officer must be an employee, but any other officer may but need not be a director, and one person may hold more than one office. All officers shall sign such contracts, documents, or instruments in writing as require their respective signatures. In the case of the absence or inability or refusal to act of any officer or for any other reason that the Board may deem sufficient, the Board may delegate all or any of the powers of such officer to any other officer or to any director for the time being.

### Summary

The former by-law stipulated that the officers appointed would be a Chair of the Board, Vice-Chair, Secretary and Treasurer.

## **Article Seven – Meetings of Members**

### **Electronic Meetings**

7.02 A membership meeting may, if the Board determines by resolution to do so, and pursuant to such conditions, rules and procedures which may be approved by the Board, be held by telephonic or electronic means. A member who, by such means, votes at the meeting or establishes a communications link to the meeting shall be deemed for all purposes, including, without limiting the generality of the foregoing, the calculation of quorum pursuant to section 7.07 hereof, to have been present at the meeting.

### Summary

The by-laws now allow for membership meetings to be held by telephonic or electronic means. If approved by the Board, members may also vote by mail, or by in-branch, telephonic or electronic means.

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# EDUCATION CREDIT UNION

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