

79th ANNUAL REPORT
2021
EQUITY CREDIT UNION INC



April 13, 2022

“GROW YOUR MONEY WITH US”

What makes credit unions different?

Ownership

Any person can join the credit union and become a member. Membership in the credit union means you are an owner and not just a customer. Every member has one vote. As a shareholder in the financial institution, you have a right to a say in the overall direction of the credit union, run for election to the board and elect directors to the board.

Service

Credit unions have served the financial needs of its members for a very long time, and they pride themselves on providing friendly and responsive service.

Choice

Credit unions offer a wide range of financial products and services covering chequing accounts, credit cards to interac and internet banking.

Competitive prices

Interest rates and service charges at credit unions are comparable and sometimes better than banks.

Commitment to the community

Credit unions reinvest their deposits and profits in the communities in which they operate in keeping with their co-operative principles.



79th Annual Meeting

Wednesday, April 13, 2022

Held Virtually

Ajax, Ontario

7:00 pm

Agenda

Registration of members

President's welcome

Minutes of 78th Annual Meeting

Reports from:

Board of Directors

Chief Executive Officer

Senior Lending Officer

Audit Committee and Auditor

Appointment of Auditor

Unfinished Business

Elections of Directors

Report of the Chairman of Elections

Other Business

New Business

Adjournment



Board of Directors

Name	Position	Term year of expiration
John Loreto	Chair	2024
Bonnie Downing	Vice Chair	2023
Art Jessop	Corporate Secretary	2022
Peter Sideris		2022
Jeannine Wilson		2022
Adil Qureshi		2023
Bill Downing		2023
Craig Nichols		2024
Larry Biancolin		2024

Staff

Name	Position
Thomas Dimson	Chief Executive Officer
Paula Goncalves	Administration Manager
Nancy Smith	Manager, Lending Operations
Louise Robichaud	Finance Manager
Gaetane Gilbert	Administration Officer
Joanne Key	Loan/Mortgage Officer
Mirella Rizzo	Mortgage Administrator
Debbie Saboe	Member Services Officer
Jannette Pantalleresco	Member Services Officer

Auditor

Baker Tilly – Licensed Public Accountants



REPORT FROM THE BOARD OF DIRECTORS

As we enter into our 79th year and our 12th year in Durham Region, Equity Credit Union continues to grow at an exciting rate, while maintaining strong profits. 2021 was a record-breaking year even as we managed through strong uncertainties under pandemic conditions. Targets were exceeded and the anticipated growth achieved was our highest ever. Profits exceeded expectations and our efficiency ratio remained one of the best in the province.

In response to the ongoing COVID-19 outbreak, the credit union maintained its protocols to protect both its employees and its members. The hard work of Tom Dimson and his team continues to be one of the most valuable assets we have. The addition of Mirella Rizzo, as the Mortgage Administrator, replacing the departure of Shanique Wynter-Linton within our team has ensured we continued to service our mortgage clients with superior member service.

The Board of Directors meetings continued to be conducted virtually this year. The Board members have worked hard to perform their duties, so as to ensure that proper governance remains a priority.

2022 is now under way, we are appreciative of the confidence that our community of members had and continue to have in the services and financial products we deliver. Your continued belief in Equity Credit Union, is essential and greatly appreciated. We take our responsibility for the strategic direction of the Credit Union's affairs and our role as your "eyes and ears" very seriously and work our hardest to live up to that trust.

Wishing you a prosperous year,

DocuSigned by:


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John Loreto
Board Chair



MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

SERVICE, TRUST, AND INTEGRITY

Equity Credit Union has a long history beginning in 1943 as an employee-based credit union focused on assisting the employees of Lever Brothers. It was housed in the plant located at the base of the Don Valley Parkway and Lakeshore Blvd in Toronto. It began with a part-time Lever Brothers' employee collecting deposits from the staff. Over the years, there have been a few name changes as well as location changes. The credit union opened membership to all residents of the community and made a new home in the Durham Region in 2010.

We are a credit union with relationships rooted in traditional values of service that still hold their worth today and those held by every new member we welcome through our doors. These are the values we know our members expect us to uphold as their financial institution.

At Equity, we have held on to this promise for over 79 years and it is through our commitment to provide our members with dependable service, a secure home for their finances, and a means for opportunity, that we remain grounded and determined in our mission to grow and prosper together.

The year 2021 was filled with uncertainty and continued challenges because of COVID-19. As a result of the novel coronavirus variants holding the world hostage last year, the credit union persevered with amendments to the way we conducted business with our membership. Our operational hours were curtailed, and pandemic safety protocols maintained to keep you and our team safe.

We have nurtured our connections in different ways this year with our members with the understanding that each of you is an individual with unique financial needs and goals. The satisfaction of our members is what motivates us year after year to strive for excellence in the service we provide and the products we deliver. While we operate as a business by providing products and services to individuals and collect revenue in the process, it is what we do with this revenue that makes the difference. The concept is simple. We return the profit we earn back to you in the form of great rates, enhanced products and services, no-fee banking and by doing right by the community we serve.

It is a long tradition of Equity Credit Union to put the needs of our members and the community as a whole, first and foremost. The Board of Directors approved the payment of another dividend this year based on the credit union's strong 2021 results. We are proud of our efforts and the ability to return a portion of these efforts back to our members.

OUR YEAR END REVIEW

The credit union persevered through the uncertainties and ended the year with strong financial results in net income and balance sheet growth.

To network amongst the local business community, we are members of the Pickering/Ajax Board of Trade as well as the Whitby Chamber of Commerce. We highlighted our initiatives through our regular marketing channels including our website, emails, in-branch marketing and with increased coverage through social



media vehicles such as Facebook and Twitter. We encourage our members to actively engage us through these social media platforms.

COMMUNITY SUPPORT

We were pleased this year to financially support and participate in the CU Succeed Youth Bursary Program through the Ontario Credit Union Foundation. Even better was the news that one of our young members was awarded a Bursary under this program to support her studies.

FINANCIAL FOCUS

Our assets increased by \$71.7 million with a closing balance sheet size of \$280.7 million. We performed better than expected in this year of uncertainty due to COVID-19. This represents a 34% increase over 2020 assets, our highest growth ever realized.

Our deposit base, which reflects total member deposits, increased \$68.6 million or 35% in 2021. This reflects that our competitive rates continue to retain members and attract members from other financial institutions allowing us to grow.

Total membership increased by a net 582 members. The changing tone of restrictions did allow the credit union to see some new walk-in members. Most of the heavy lifting to onboard new members is conducted over the phone. Onsite visits were short and quick to conclude identification verification and obtain original signatures when necessary. We hope that 2022 will provide the return face to face services as we have sure missed the broad smile of our members.

The credit portfolio increased by \$65.3 million or 38%. Much of the growth came from residential mortgages. These loans are secured by mortgage registrations. Growth in loans was higher than expected this year even through the uncertainties of the pandemic. Mortgage activity was strong throughout the year. We note that house prices continue to trend upward and the size of a new mortgage continues to increase.

Total regulatory capital increased at year end to \$15 million, or by 24%, and our leverage capital ratio decreased to 5.44% as a result of a substantial balance sheet growth of \$71.7 million. Our total risk weighted assets capital ratio was strong at 21.60%, slightly lower than 22.73% for 2020. The minimum regulatory capital requirement is 4% and 8% for the risk weighted assets capital ratio. Our policies set a minimum target for the capital ratio at 5.25% and 16% for the risk weighted assets capital ratio. Our position exceeds both our policies and regulatory minimum requirements.

Performance indicators	Minimum Regulatory Requirements	ECU Policy Requirements	2021	2020
Regulatory Capital \$			\$15.3 million	\$12.3 million
Leverage Capital Ratio	4.00%	5.25%	5.44%	5.91%
Risk Weighted Assets Capital Ratio	8.00%	16.00%	21.60%	22.73%



Interest income of \$10 million was earned from loans which grew by 20% in the year as a result of an increase in the volume of issued loans. Rates for loans began to rise in the last quarter of the year.

Investment income decreased by 42%. This was as a result of the reduction in market rates paid on our investments held in the liquidity portfolio. Liquidity investments must be maintained as a regulatory requirement and must be comprised of permitted assets that are highly liquid. These investments are subject to interest rate risk.

Generally, the credit union has a no-fee mandate thus it does not earn significant other income from members fees as compared to many of the other financial institutions. Other income includes that earned from collaborative arrangements with partners.

Members were allocated \$4.6 million as interest on their deposits which represents a growth of 3% compared to 2020. This net increase is a combination of higher interest expense paid tied to our increase in deposit balances offset by the impact of lower rates paid on term deposits. Rates on term deposits dropped in 2020 and began to rise in the third quarter of 2021.

A provision for credit losses of \$10 thousand was recognized this year compared to a provision of \$64 thousand in 2020. The credit union maintained a strong provision for credit losses with an ending balance of \$480 thousand. Our board and auditors support this amount as it is set aside against future loan loss contingencies.

Though the pandemic affected operations and many members, loan write offs this year was limited to \$5 thousand. This was a very good outcome for the credit union.

Our operating efficiency ratio sits at 34%¹, an improvement from 39% for 2020. This means that for every dollar of expenses \$3 (2020 - \$2.6) is earned in income. We have a very enviable efficiency ratio as compared to our peers in the credit union sector.

The credit union has set aside \$189 thousand to add to a reserve to pay out a well-deserved dividend to loyal members.

A total of \$2.9 million in profit was recognized in the year, this is \$0.9 million better than last year.

Even under the uncertainties of pandemic conditions, the credit union retained its financial strength and prospered during the year. We are extremely pleased to report our results to the membership this year.

OUR EXCITING FUTURE

As we move forward in 2022, the credit union will continue to grow its business but not as spectacularly as last year. Our focus will be to balance capital and growth to ensure our adherence to key regulatory requirements. Throughout the year, the credit union will continue to review products and services which may be beneficial to the membership. The credit union is staffed with seasoned employees who are very good ambassadors and deliver superior member service.

¹ Operating efficiency = Expenses / Total Income x 100, a lower number indicates a higher efficiency



We are humbled that next year, in 2023 the credit union will mark its 80th anniversary. The credit union was originally founded in 1943. It is incredible to think how far we have come and how much we have evolved since our modest beginnings. Working within this cooperative model, our members have remained central to every decision we make as an organization. The greatest testament to our legacy is that over all these years, we have held true to our founding principle of serving our members above all else. Creating a stable financial environment while delivering superior member service and upholding our cooperative banking principles is paramount to our continued success.

We hope once all restrictions under COVID-19 are lifted to restart our programs to sponsor local hockey, soccer, and basketball teams in the Ajax area to raise awareness as part of our commitment to the community. Our Board will be working this year on making a substantial contribution to a local worthy cause. We look forward to sharing that with you in due course.

I emphasize that deposit insurance provided by our regulator, FSRA² covers registered deposits at 100%. This is not available at a bank. Unregistered deposits are covered up to \$250,000 per member. Note that the credit union contributed as part of its annual assessment under FSRA, \$151 thousand to the Deposit Insurance Reserve Fund in the year.

Equity Credit Union continues to offer no-fee banking and “keeps more money in our members’ pockets”.

During the year, our onsite physical hours were reduced, but we remained available through virtual means. We ask our members to stay safe and help us keep our team and their families safe by conducting as much as possible of their business online and by phone until restrictions under COVID-19 are lifted. In person service is best handled through pre-arranged appointments.

We ask that our members that are in difficulty to reach out to us and access our tools to assist you. We hope to return to face to face interactions with our members in 2022.

Our promise is that we will continue to live our co-operative values while protecting the capital that our depositors have entrusted to us.

ACKNOWLEDGMENTS

I take this opportunity to recognize the efforts of our team during the pandemic. Their commitment to provide superior member service rewarded the credit union with growth above expectations. Their dedication to supporting our depositors virtually ensure that our members could access our services and financial product offerings.

I express my thanks on behalf of the team for the ongoing support and mentorship provided by our chair, John Loreto, and the members of the board throughout this year. As our interactions and meetings continued in a virtual environment, they have provided a solid foundation for our strong core governance framework adding value to the credit union. Our members confidence in our credit union is not misplaced.

² FSRA – Financial Services Regulatory Authority of Ontario – www.fsrao.ca



Keeping the trust of our members is critical to Equity Credit Union’s ongoing success. We recognize that trust is not something that is given easily, or that flows from a single interaction. Nowhere is trust more important than in the financial services business, where we make promises to our members everyday – promises you trust us to keep for years to come. The opportunity to serve our members in their financial transactions that supports their economic freedom and financial wellbeing is a privilege for myself and our team.

I along with my team, thank you, our members, for your trust and continued patronage.

As I have already noted, and you can see I am very excited about it, we look forward to the return of face-to-face interactions with all of you.

Least of all, let your neighbour know about us, we would love to meet them and give them the opportunity to become members of your credit union.

DocuSigned by:

Thomas Dimson

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Thomas Dimson
Chief Executive Officer



REPORT OF THE SENIOR LENDING OFFICER

During the year, the credit union received a total of 496 loan applications compared to 350 for the prior year. Of these, 266 new loans were granted for \$136 million compared to 167 for \$67 million for the prior year and 230 were denied compared to 183 for the prior year.

Loan categories were:

Category	2021		2020	
	# Loans	\$ amounts granted	# Loans	\$ amounts granted
Residential Mortgages/Merit lines	247	\$133 million	149	\$65 million
Commercial Mortgages	2	\$1,010 thousand	1	\$175 thousand
Personal loans and lines of credit	17	\$1,852 thousand	17	\$944 thousand

At year end, the total loans outstanding were \$238 million compared to \$173 million of 2020. This resulted in an overall increase of \$65.3 million or 38%.

As of December 31, 2021, there was no impaired loans compared to 1 for the prior year for \$860. There were no mortgages classed as impaired, the same as in the prior year.

In the year, we provided 6 (2020 – 144) deferred payment arrangements to members due to the impact of COVID-19, for a total mortgage loan amount of \$3.4 million (2020 - \$64.6 million). As of December 31, there were Nil (2020 – 9) mortgages under deferred payment arrangements for a total of \$Nil (2020 - \$2.6 million).

Our net delinquency ratio remained low at essentially zero. We wrote off \$5 thousand (2020 - \$1 thousand) in loan bad debts and charged a provision of \$10 thousand to operations compared to \$62 thousand for the prior year. We have set aside a provision for credit losses of \$480 thousand (2020 - \$475 thousand) which represents 0.20% (2020 – 0.28%) of the total loans outstanding. We believe this provision is reasonable for our loan portfolio.

Always at your service

DocuSigned by:

Nancy Smith

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Nancy Smith

Manager, Lending Operations





REPORT OF THE AUDIT COMMITTEE

The Audit Committee, comprised of 3 directors, held five meetings this year. It arranges its agenda so that, on an annual basis, the following duties are performed, and appropriate action taken as a result thereof:

- Review the policies, procedures and controls relating to legislative compliance with particular focus on capital adequacy, risk weighting of assets and liquidity;
- Review quarterly reports prepared by the Internal Auditor regarding internal controls and policy compliance;
- Recommend the appointment of the External Auditor to the Board of Directors and members at the Annual General Meeting
- Review the qualifications, independence, and performance of the auditors;
- Serve as the principal communication link between the External Auditor and the Board of Directors, and in particular, review and agree to the External Auditor's "Terms of Engagement" and "Scope of Audit";
- Review the requirements for adherence to the new accounting policies as they relate to the International Financial Reporting Standards

The Audit Committee conducted its affairs in accordance with the Credit Unions and Caisses Populaires Act (the "Act") and regulations as well as the credit union's by-laws.

The Audit Committee issues reports and makes recommendations to the Board of Directors or senior management, as appropriate, with respect to the matters outlined above and follows-up to ensure that the recommendations are considered and implemented.

The Audit Committee is pleased to report to the members that it receives full co-operation and support from management to enable it to play an effective role in improving the quality of financial reporting to the members and enhancing the overall control structure of the credit union.

There are no significant recommendations made by the Audit Committee that have not been either implemented or are in the process of being implemented. In addition, there are no matters which the Audit Committee believes should be reported to members, nor are there any further matters which are required to be disclosed pursuant to the Act or the regulations thereto.

Respectfully submitted by:

DocuSigned by:
Handwritten signature of Jeannine Wilson in black ink.

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Jeannine Wilson

Chair of the Audit Committee

HOURS

	Normal hours	COVID-19 hours
Monday – Wednesday	9:30 am – 5:00 pm	9:30 am – 3:00 pm
Thursday – Friday	9:30 am – 7:00 pm	9:30 am – 3:00 pm
Saturday	9:30 am – 3:00 pm	

CONTACT INFORMATION

Telephone	(905) 426-1389 1-800-263-9793
Fax	(905) 428-1590
Telephone Banking	1-844-378-4899
Website	https://equitycu.com
Address:	Whitetail Centre 299 Kingston Road East, Unit #1 Ajax, Ontario L1Z 0K5



PRODUCTS AND SERVICES

EVERYDAY BANKING <ul style="list-style-type: none"> • Personal chequing account • Fatcat account (12 years old and under) • Head start account (13 – 17 years old) • Daily interest savings account (interest paid quarterly) • Regular savings account (interest paid semi-annually) • High Interest Savings Account (interest paid monthly) • Commercial banking accounts • US dollar savings account 	ELECTONIC SERVICES <ul style="list-style-type: none"> • Website https://equitycu.com • Online (internet) banking • Telephone banking line 1-800-378-4899 • Toll free credit union number 1-800-263-9793 • THE EXCHANGE Network of ATMs Canada wide – no surcharge fees • Interact Flash debit card (tap payments) • Online bill payments • E-money transfers • Mobile banking • Pre-authorized payments
BORROWING – PERSONAL LENDING <ul style="list-style-type: none"> • Personal loans • Personal lines of credit • New and used car loans • Overdraft protection • RRSP and Investment loans 	INSURANCE <ul style="list-style-type: none"> • Credit life and disability insurance • Mortgage life insurance • Critical illness insurance • Mortgage title insurance
MORTGAGES <ul style="list-style-type: none"> • First mortgages • Second mortgages and Bridge financing • High ratio mortgages (CMHC/Genworth) • Merit line – home equity line of credit • Closed and open mortgages • Rental property mortgages • Fixed and variable rate mortgages • Cashback mortgages • Collateral mortgages 	INVESTING WITH CONFIDENCE <ul style="list-style-type: none"> • Deposits insured by the Financial Services Regulatory Authority of Ontario (FSRA) • See https://fsrao.ca
INVESTING <ul style="list-style-type: none"> • Term deposits (30-364 days) • Guaranteed investment certificates (GIC's) 	REGISTERED PLANS <ul style="list-style-type: none"> • Registered retirement savings products (RRSP) • Registered retirement income products (RRIF) • Tax Free Savings Products (TFSA's)
OTHER SERVICES <ul style="list-style-type: none"> • In branch teller operations • Semi-annual statements • Regular e-mail news communications • Wire transfers 	<ul style="list-style-type: none"> • Automated banking machine onsite • Safety deposit boxes • Corporate drafts • Visa credit card



Equity Credit Union Inc.
Summary Financial Statements
For the year ended December 31, 2021

EQUITY CREDIT UNION INC.
SUMMARY TABLE OF CONTENTS
December 31, 2021

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EQUITY CREDIT UNION INC.
SUMMARY STATEMENT OF FINANCIAL POSITION
As at December 31, 2021

	2021	2020
ASSETS		
Cash	\$ 24,276,423	\$ 28,668,465
Investments	17,213,773	6,439,115
Member loans	238,305,631	172,973,889
Other assets	241,796	255,019
Deferred tax asset	140,000	103,000
Right-of-use asset	219,706	285,568
Property and equipment	210,735	297,512
Intangible asset	83,000	-
	<u>\$280,691,064</u>	<u>\$209,022,568</u>
LIABILITIES		
Member deposits	\$265,062,026	\$196,384,403
Other liabilities	592,059	469,122
Lease liabilities	234,705	299,293
Member shares	73,260	61,620
	<u>265,962,050</u>	<u>197,214,438</u>
MEMBERS' EQUITY		
Retained earnings	<u>14,729,014</u>	<u>11,808,130</u>
	<u>\$280,691,064</u>	<u>\$209,022,568</u>

EQUITY CREDIT UNION INC.
SUMMARY STATEMENT OF INCOME AND COMPREHENSIVE INCOME
For the year ended December 31, 2021

	2021	2020
Interest and investment income		
Member loans	\$ 10,124,598	\$ 8,334,025
Investment income	124,384	216,028
	<u>10,248,982</u>	<u>8,550,053</u>
Interest expense		
Member deposits	4,550,717	4,406,047
Dividend to members	267,300	153,175
External borrowings	10,455	12,715
	<u>4,828,472</u>	<u>4,571,937</u>
Net interest income	<u>5,420,510</u>	<u>3,978,116</u>
Provision for credit losses	9,168	62,297
Net interest income after provision for credit losses	<u>5,411,342</u>	<u>3,915,819</u>
Non-interest income		
Other income	42,099	43,052
Grants and subsidies	2,985	8,952
	<u>45,084</u>	<u>52,004</u>
Net interest and non-interest income	<u>5,456,426</u>	<u>3,967,823</u>
Operating expenses		
Salaries and benefits	742,943	640,307
Administrative expenses	879,636	697,040
Occupancy costs	64,389	65,329
Depreciation	158,815	151,957
	<u>1,845,783</u>	<u>1,554,633</u>
Income before income taxes	<u>3,610,643</u>	<u>2,413,190</u>
Income taxes		
Current	726,759	420,137
Deferred	(37,000)	(26,000)
	<u>689,759</u>	<u>394,137</u>
Net income and comprehensive income for the year	<u>\$ 2,920,884</u>	<u>\$ 2,019,053</u>

EQUITY CREDIT UNION INC.
SUMMARY STATEMENT OF CHANGES IN MEMBERS' EQUITY
For the year ended December 31, 2021

	2021	2020
Balance, beginning of year	\$ 11,808,130	\$ 9,789,077
Net income	<u>2,920,884</u>	<u>2,019,053</u>
Balance, end of year	<u>\$ 14,729,014</u>	<u>\$ 11,808,130</u>

EQUITY CREDIT UNION INC.
SUMMARY STATEMENT OF CASH FLOWS
For the year ended December 31, 2021

	2021	2020
Cash provided by (used for) the following activities		
Operating activities		
Net Income	\$ 2,920,884	\$ 2,019,053
Adjustments for		
Depreciation	158,815	151,957
Deferred income taxes	(37,000)	(26,000)
Loss on disposal of capital assets	-	252
	<u>121,815</u>	<u>126,209</u>
	<u>3,042,699</u>	<u>2,145,262</u>
Change in non-cash working capital items		
Other assets	13,223	42,991
Other liabilities	122,939	224,891
Loan loss provision	4,713	62,554
	<u>140,875</u>	<u>330,436</u>
	<u>3,183,574</u>	<u>2,475,698</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(6,177)	(249,017)
Purchase of intangible assets	(83,000)	-
Net decrease (increase) in investments	<u>(10,774,658)</u>	<u>4,628,110</u>
	<u>(10,863,835)</u>	<u>4,379,093</u>
FINANCING ACTIVITIES		
Increase in member loans	(65,336,455)	(18,670,850)
Increase in member deposits	68,677,622	33,151,344
Net change in lease liabilities	(64,588)	(68,677)
Net change in member shares	11,640	(700)
	<u>3,288,219</u>	<u>14,411,117</u>
Increase (decrease) in cash and cash equivalents	(4,392,042)	21,265,908
Cash and cash equivalents, beginning of year	<u>28,668,465</u>	<u>7,402,557</u>
Cash and cash equivalents, end of year	<u>\$ 24,276,423</u>	<u>\$ 28,668,465</u>

EQUITY CREDIT UNION INC.
NOTES TO THE SUMMARY FINANCIAL STATEMENTS
December 31, 2021

Basis of presentation (Note 1)

The summary financial statements are derived from the audited financial statements, prepared in accordance with International Financial Reporting Standards (IFRS) as at December 31, 2021 and December 31, 2020 and for the years then ended.

The preparation of these summary financial statement requires management to determine the information that needs to be included so that they are consistent in all material respects with, or represent a fair summary of the audited financial statements.

Management prepared these summary financial statements using the following criteria:

- a) The summary financial statements include a statement for each statement in the audited financial statements.
- b) Information in the summary financial statements agrees with the related information in the audited financial statements.
- c) Major subtotals, totals and comparative information from the audited financial statements are included; and
- d) The summary financial statements contain the information from the audited financial statements dealing with matters having a pervasive or otherwise significant effect on the summary financial statements.

In addition, a copy of the audited financial statements is available to any member, upon request, at the branch of the credit union.