

2015 Annual Report

Investing In Our Members & Community



LUMINUS
FINANCIAL

Clearly better banking.

While Luminus Financial is a comparably new brand within the Canadian credit union and banking sector, its origins date back to 1951. At the time, it took the name Starnews Credit Union, founded by a group of Toronto Star employees who wanted a credit union to provide personal banking products and services.

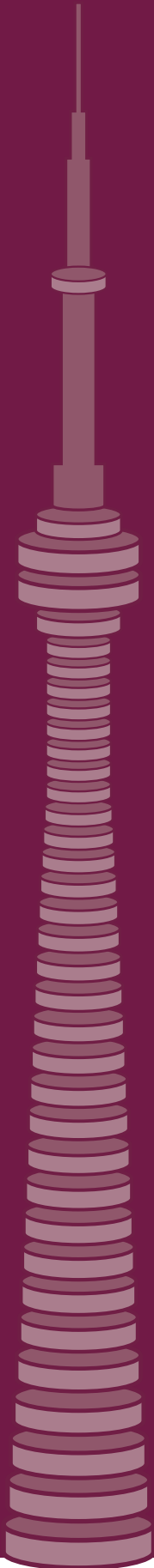
In 2010, Starnews was granted a new status as an open bond credit union, allowing it to amalgamate with four other related credit unions and to serve any individual, business or organization in Ontario. Luminus Financial was born the following year, with a mission to help its members achieve their financial goals while supporting the communities it serves with a clearly better banking experience.



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VISION STATEMENT

To be our members' first choice for financial products, services and advice.

MISSION STATEMENT

We are committed to helping our members achieve their financial goals; encouraging and facilitating the development of our team; supporting our communities.

VALUES STATEMENT

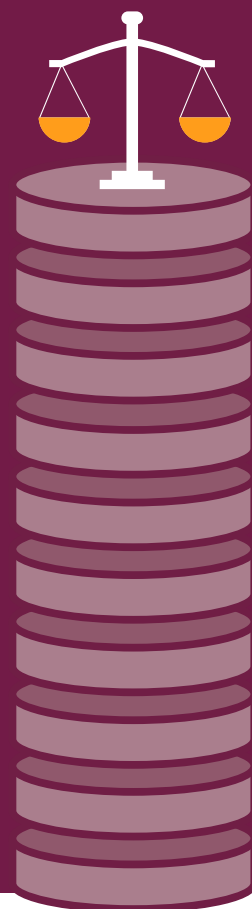
Luminus is Adaptable, Responsive, Committed and Co-operative (ARCC)

ADAPTABLE

We will expand opportunities by recognizing and responding to changes

We will position products and services to attract the family unit

We will embrace and be open to competitive trends



RESPONSIVE

We will treat everyone with respect and fairness

We will be responsive and sensitive to the diverse needs of our members

We will embrace and be open to changes that will keep us competitive

We will develop products and services for members and their families



COMMITTED

We are committed to service and excellence

We will encourage a team environment committed to open and honest communication at all levels to provide better service to our members

We will be committed to bringing financial awareness and understanding to members so they may be financially independent



CO-OPERATIVE

We will operate in accordance with co-operative principles:

- Voluntary and Open Membership
- Democratic Member Control
- Member Economic Participation
- Autonomy and Independence
- Education, Training and Information
- Co-operation among Co-operatives
- Concern for Community

We will recognize our social responsibilities within our environment and community



OUR PROMISE TO OUR MEMBERS:

We will...

Listen to you.

**Respond with
your financial
best interests as
our priority.**

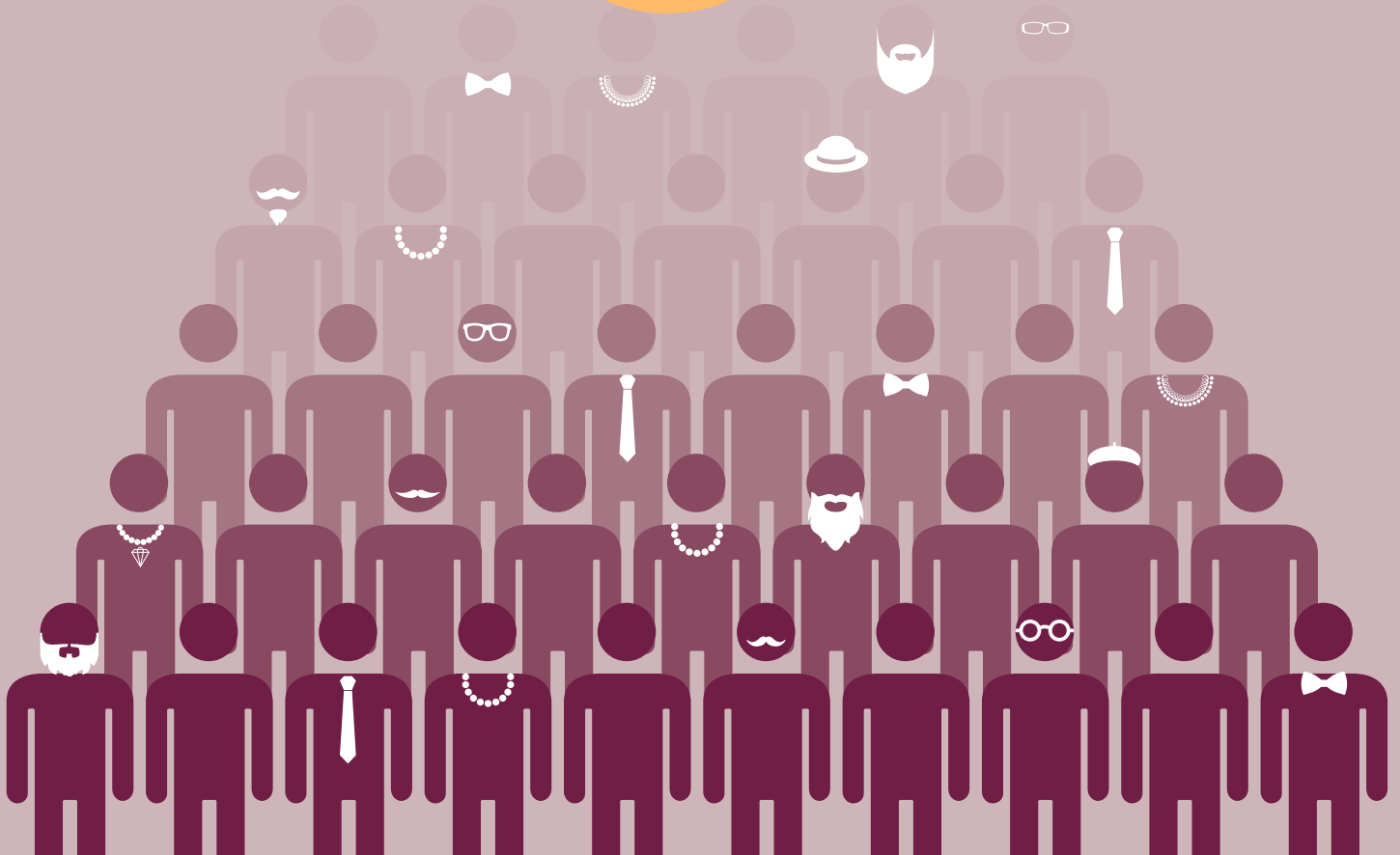
**Offer a full range
of competitive
financial products
and services.**

**Treat you as the
owner of our
institution –
because you are.**

**Share our
profits with
you.**

**Exemplify all
Credit Union
principles.**

**Make you glad
to be a member,
always.**



66TH ANNUAL GENERAL MEETING AGENDA

APRIL 7, 2016

1. CALL MEETING TO ORDER

Confirmation of quorum

2. APPROVE MINUTES OF THE MARCH 26, 2015 ANNUAL GENERAL MEETING

3. ELECTION OF DIRECTORS

4. REPORTS

Board of Directors Chair and Chief Executive Officer

Credit Committee

Audit Committee

5. REVIEW OF 2015 SUMMARY FINANCIAL STATEMENTS

6. NEW BUSINESS

Appointment of Auditors

7. ANNOUNCEMENT OF ELECTION RESULTS

8. OTHER BUSINESS

9. ADJOURNMENT



REPORT OF THE BOARD OF DIRECTORS CHAIR AND EXECUTIVE OFFICER

Last year was a remarkable year with major events ranging from 200 countries uniting to sign a universal agreement to cut greenhouse gas emission to improve climate change conditions to NASA finding water on Mars. The global initiatives to give back to the universe and environment that has nurtured us has never been so prevalent. At the same scale of significance in our eyes, our member-owners form the universe that facilitates the very existence of our credit union. We recognize and continue our efforts to give back to them, starting with a new state-of-the-art financial facility that provides each member-owner with a personal and clearly better banking experience.

THE FINANCIAL HUB

The Financial Hub opened its doors in July 2015. It was created through the partnership of three of Toronto's most forward thinking financial institutions; Luminus Financial, CWP Financial (a Sun Life Financial Advisor), and Interchange Currency Exchange with the collective purpose to provide our members and clients with an innovative banking and community space. The goal of the Financial Hub is to create a new banking and financial service experience unseen anywhere else in Canada. The Financial Hub is equipped with the latest banking technologies, while the open space design of the Financial Hub encourages collaboration, conversation and invokes a strong sense of community. The three institutions work in tandem to provide a unique and personalized financial experience for individuals working and living in Downtown Toronto.

Features of the Financial Hub:

- Latest banking technologies
- Online banking stations
- Free Wi-Fi
- Complimentary furnished meeting space
- First class customer service – No line ups. Sit and enjoy a complimentary beverage and wait for us to come to you

Since the launch of The Financial Hub, we have seen a significant growth in our membership base. We welcomed a total of 667 new member-owners to the Luminus family in 2015, representing over 12% of total membership growth! On the financial front, our achievements were equally impressive with our cash resources at \$19.9 million (includes cash and investments), our mortgages growing by \$15.8 million (includes residential and commercial) and our total assets increasing to \$120.7 million – a 25.74% growth over the previous year.

Continuing on in 2016, we launched a number of products and services – including the highest investment savings account rate in Ontario, improved online banking platforms, free remittances to the Philippines and more – centered on our goal to continue giving back to our member-owners.

Respectfully presented this 7th day of April 2016.

Paul Miller
CHAIR, BOARD OF DIRECTORS

George De La Rosa
CHIEF EXECUTIVE OFFICER

2015 FINANCIAL RESULTS

When compared to 2014 the following financial results were achieved in 2015:



cash grew to over
\$11.5 million



total assets grew to
\$120.7 million



member deposits
increased to over
\$110.7 million



financial expenses
increased to
\$1.7 million



financial income
increased to over
\$3.5 million



total regulatory
capital to risk weighted
assets ratio was
19.5%



loans to members
increased to over
\$97.6 million



total regulatory
capital to assets
ratio was
7.9%

INVESTMENT SHARE DIVIDENDS

As with every year, Luminus Financial shares a portion of its profits with members through dividends on Investment Shares. This year we are pleased to announce the following:

CLASS A SERIES 1 INVESTMENT SHARES:

Members that held Class A Series 1 Investment Shares during 2015 will receive a dividend of **3.00%**



CLASS A SERIES 2 INVESTMENT SHARES:

Members that held Class A Series 2 Investment Shares during 2015 will receive a dividend of **4.00%**

Dividends will be paid into eligible accounts no later than April 30, 2016.



CREDIT COMMITTEE REPORT

The Credit Committee continued to serve the members of Luminus Financial and is pleased to share the following information with its members.

For the fiscal year of 2015, a total of 321 credit applications were approved and funded with a value of \$33,029,741.43. The following chart details the specific loan class and compares them to last year:

2015	2014
98 Personal Loans for \$1,005,054.01	95 Personal Loans for \$901,246.29
76 Mortgages for \$19,765,925.61	69 Mortgages for \$18,202,108.10
25 Meritlines (Equity Lines of Credit) for \$3,905,453.62	31 Meritlines (Equity Lines of Credit) for \$4,449,300.00
21 Personal Lines of Credit for \$368,387.35	24 Personal Lines of Credit for \$344,500.00
75 Overdrafts for \$42,000.00	109 Overdrafts for \$55,685.00
9 Bridge Loans for \$2,256,275.00	4 Bridge Financing Loans for \$753,200.00
1 Syndicated Mortgage & Loan for \$77,199.89	16 Syndicated Mortgages & Loans for \$2,271,433.36
16 Commercial Mortgage & Loan for \$5,609,445.95	1 Commercial Mortgage & Loan for \$325,000.00
Total Applications: 321	Total Applications: 349
Total Value: \$33,029,741.43	Total Value: \$27,302,472.75

In 2015, a total of 16 applications were declined compared to 61 applications in 2014 for reasons ranging from credit history to lack of ability to pay.

As at December 31, 2015 there were 15 loans in arrears for 90 days or more for a total of \$31,914.71 compared to 7 loans in arrears for a total of \$28,087.23 in 2014. The reasons for not paying debt ranged from accumulated debts or bankruptcy to lack of income due to unemployment.

The Credit Committee continues its role of approving all director and officer loans. The committee also provided management with valuable suggestions to apply to the everyday business of the credit union.

Respectfully presented this 7th day of April 2016.

CREDIT COMMITTEE

Paul Miller
CHAIR

Andrew Maund

Jonathan Olinski

REPORT OF THE AUDIT COMMITTEE

Pursuant to section 125 of the Credit Unions and Caisses Populaires Act, 1994, the board of directors appointed a minimum of three (3) directors to the Audit Committee, a sub-committee of the board.

The Audit Committee met on a quarterly basis to carry out their duties as defined in the Act and as stipulated in the credit union's policies and procedures. The following were the duties performed by the Audit Committee during 2015:

- Reviewed complaints and issues concerning privacy and ensured compliance with the Personal Information Protection and Electronic Documents (PIPED) Act initiated in 2001. We can report that Luminus is in compliance with the legislation as of December 31, 2015.
- Reviewed results of the external audit services provided by Grant Thornton LLP.
- Reviewed the Luminus Disaster Recovery Plan that will ensure protection of the assets of Luminus and its members, in the event that unforeseen circumstances prevent normal operating conditions.
- Reviewed risk management policies and procedures of Luminus. This review pointed no major areas of weakness that require correction.
- Reviewed the policies, procedures and controls used by management to which relate to legislative compliance with particular focus on Capital, Liquidity Management, Investment and Interest Rate Risk.
- Reviewed regular reports provided by management to ensure that Luminus complies with the Proceeds of Crime (Money Laundering) and Terrorist Financing Act.
- On March 9, 2016 the Audit Committee met with the external auditors to review and discuss the draft financial statements for the year ended December 31, 2015. A report was presented at the next regular meeting of the Board of Directors, and a follow up meeting for approval of the draft financial statements was held on March 9, 2016.

Respectfully presented this 7th day of April 2016.

AUDIT COMMITTEE

Glenn Pollinger
AUDIT COMMITTEE CHAIR

Andrew Maund

Frank Kocis

Report of the Independent auditor on the Summary Financial Statements

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To the Members of
Luminus Financial Services & Credit Union Limited

The accompanying summary financial statements, which comprise the summary statement of financial position as at December 31, 2015, the summary statements of comprehensive loss, changes in members' equity, and cash flows for the year then ended, are derived from the audited financial statements of Luminus Financial Services & Credit Union Limited as at December 31, 2015. We expressed an unmodified audit opinion on those financial statements in our report dated March 9, 2016. 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 Luminus Financial Services & 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 on the basis described in Note 1.

Auditor's responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, Engagements to Report on Summary Financial Statements.

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of Luminus Financial Services & Credit Union Limited for the year ended December 31, 2015 are a fair summary of those financial statements, on the basis described in Note 1.

Mississauga, Canada
March 9, 2016

Grant Thornton LLP
Chartered Professional Accountants
Licensed Public Accountants

Luminus Financial Services & Credit Union Limited

Summary Statement of Financial Position

(In thousands)

December 31

2015

2014

Assets

Cash	\$ 11,514	\$ 6,456
Investments	8,409	6,443
Loans to members	97,641	82,320
Other assets	476	261
Property and equipment	2,411	486
Intangible asset	<u>215</u>	<u>-</u>
	\$ 120,666	\$ 95,966

Liabilities

Term loan	\$ -	\$ 2,200
Members' deposits	110,758	87,649
Other liabilities	417	752
Shares	<u>390</u>	<u>382</u>
	111,565	90,983

Equity

Shares	5,990	1,443
Retained earnings	2,349	2,790
Contributed surplus	629	629
Accumulated other comprehensive income (AOCI)	<u>133</u>	<u>121</u>
	9,101	4,983
	\$ 120,666	\$ 95,966

Luminus Financial Services & Credit Union Limited

Summary Statement of Comprehensive Loss

(In thousands)

Year ended December 31

	2015	2014
Financial income		
Loans	\$ 3,354	\$ 2,840
Investments	<u>138</u>	<u>123</u>
	<u>3,492</u>	<u>2,963</u>
Financial expense		
Member deposits	1,626	890
Distributions to members	-	35
External borrowings	<u>32</u>	<u>36</u>
	<u>1,658</u>	<u>961</u>
Financial margin	1,834	2,002
Provision for impaired loans	<u>6</u>	<u>63</u>
Net interest income after provision for impaired loans	1,828	1,939
Other income	<u>1,003</u>	<u>1,096</u>
Operating margin	2,831	3,035
Operating expenses		
Administrative expenses	1,618	1,348
Remuneration to staff	1,418	1,265
Depreciation	<u>239</u>	<u>120</u>
	<u>3,275</u>	<u>2,733</u>
(Loss) income before taxes	<u>(444)</u>	<u>302</u>
Income taxes		
Current	(56)	31
Deferred	<u>2</u>	<u>2</u>
	<u>(54)</u>	<u>33</u>
Net (loss) income	<u>(390)</u>	<u>269</u>
Other comprehensive income		
Items that may subsequently be reclassified to profit of loss		
Change in unrealized gain on		
available for sale investments	12	15
Income tax relating to components of other comprehensive income	<u>-</u>	<u>(2)</u>
Total other comprehensive income	<u>12</u>	<u>13</u>
Total comprehensive (loss) income	\$ <u>(378)</u>	\$ <u>282</u>

Luminus Financial Services & Credit Union Limited

Summary Statement of Changes in Members' Equity

(In thousands)

Year ended December 31, 2015

	<u>Shares</u>	<u>Retained earnings</u>	<u>Contributed surplus</u>	<u>AOCI</u>	<u>Total</u>
Balance at					
December 31, 2013	\$ 1,732	\$ 2,576	\$ 629	\$ 108	\$ 5,045
Net income	-	269	-	-	269
Other comprehensive income	-	-	-	13	13
Redeemable portion of Class A					
Investment shares classified as liability	(160)	-	-	-	(160)
Redemptions of Class A					
Investment shares	(129)	-	-	-	(129)
Dividends paid on Class A					
Investment shares, net of tax	-	(55)	-	-	(55)
Balance at					
December 31, 2014	1,443	2,790	629	121	4,983
Net loss	-	(390)	-	-	(390)
Other comprehensive income	-	-	-	12	12
Issuance of Class A, Series 2					
Investment shares	4,713	-	-	-	4,713
Redemptions of Class A					
Investment shares	(166)	-	-	-	(166)
Dividends paid on Class A					
Investment shares, net of tax	-	(51)	-	-	(51)
Balance at December 31, 2015	\$ 5,990	\$ 2,349	\$ 629	\$ 133	\$ 9,101

Luminus Financial Services & Credit Union Limited

Summary Statement of Cash Flows

(In thousands)

Year ended December 31

2015

2014

Increase (decrease) in cash and cash equivalents

Operating		
Net (loss) income	\$ (390)	\$ 269
Adjustments for:		
Provision for impaired loans	6	63
Depreciation	239	120
Deferred income taxes	-	(106)
Distribution to members	(51)	(55)
Changes in member activities:		
Increase in loans to members (net)	(15,327)	(14,035)
Increase in deposits of members (net)	23,109	17,613
Changes in other non-cash items:		
Other assets	(215)	(43)
Payables and accruals	(335)	373
	<u>7,036</u>	<u>4,199</u>
Financing		
Repayment from external borrowing	(2,200)	-
Increase (decrease) in shares (net)	<u>4,555</u>	<u>(147)</u>
	<u>2,355</u>	<u>(147)</u>
Investing		
Purchase of investments (net)	(1,954)	(860)
Distributions from CUCO Co-op investment	-	124
Purchase of property and equipment	(2,164)	(69)
Purchase of intangible asset	(215)	-
	<u>(4,333)</u>	<u>(805)</u>
Net increase in cash during the year	5,058	3,247
Cash, beginning of year	<u>6,456</u>	<u>3,209</u>
Cash, end of year	<u>\$ 11,514</u>	<u>\$ 6,456</u>
Interest received	<u>\$ 1,094</u>	<u>\$ 1,054</u>
Interest paid	<u>\$ 3,501</u>	<u>\$ 3,180</u>
Income taxes paid	<u>\$ 136</u>	<u>\$ 25</u>

Luminus Financial Services & Credit Union Limited

Notes to the Summary Financial Statements

December 31, 2015

1. Basis of presentation

The summary financial statements are derived from the audited financial statements, prepared in accordance with IFRS as at December 31, 2015 and 2014 and for the years then ended.

The preparation of these summary financial statements 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 included 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 any branch of the credit union.



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Membership is open to anyone living or working in Ontario.