

2010

ANNUAL REPORT



**CATARACT
SAVINGS &
CREDIT UNION**

2010 Annual Report 2010

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Annual General Meeting
March 28, 2011

Cataract Savings Mission

To be a financial co-operative that provides financial programs and banking services that improve the economic and social environment of our members.

Aim

To extend a range of financial services to all within our field of membership in order that members will consider Cataract Savings as a preferred and responsible alternative to other financial institutions.

To serve the financial needs of our member-owners through financial education, secure savings, services and products at fair prices, and maintaining the long-term financial viability of the co-operative.

To involve all members actively and equally in providing co-operative financial services for one another.

To serve the personal financial needs of the community as our primary goal.

Corporate Governance

The Board of Directors role, as prescribed in the Credit Union Act 1994, is to manage and supervise the management of the business and affairs of the Credit Union (Sec 104) and shall perform such additional duties as may be imposed by the Act, regulations or by-laws.

The directors shall,

- (a) establish investment and lending policies, standards and procedures in accordance with section 190 of the Act.
- (b) establish procedures to resolve conflicts of interest, including techniques for the identification of potential conflict situations and for restricting the use of confidential information; and
- (c) designate a committee of the Board to monitor the procedures

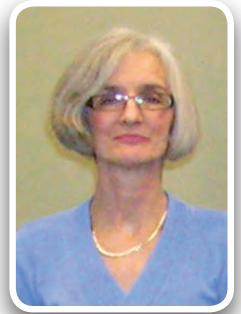
The active role the Board plays is of special importance. The directors annually hold an all-day strategy session to assist in planning and constructive feedback. It is the Board's view that it's approach must be comprehensive, progressive and consistent with the highest ethical standards.

Board of Directors 2010



Frank Perugino,
B.Sc. Chair
Board member since 1992.
Integrity Services Officer
Service Canada.
Term Expires 2011.

Diane Nieuwesteeg,
Board member since 2006.
Public servant with Canada
Border Services Agency for
31 years. Business diploma
from Niagara College. Term
expires 2013.



Chris Walsh
Vice Chair
Former Dana Credit Union
Board member since 1993
and was chairman of Dana
for 8 years. Joined our
Board at the time of their
amalgamation with Cataract
March 1, 2008. Metallurgical
Lab Technician Dana
Canada. Term expires 2011.

Rick Tabaka,
Corporate Secretary
Board member since 2003.
Investigator for Income
Securities Programs. Business
administration diploma from
Ryerson University. Term
expires 2013.



**CATARACT
SAVINGS &
CREDIT UNION**



Ross H. Wallace
Board member since
2009. Employed in Technical
Services for Honig Industrial
Limited. Worked in
Industrial Advertising and
Public Relations field for
over 20 years. Term expires
2012.

Eva Klein
Board member since 2010.
Mohawk College graduate.
Vice President of Klein
Developments Limited.
Volunteer Activities include:
A Board Member of YMCA
of Niagara Falls.
Chair for DSBN School
Council. Coaches for
Niagara Falls Girls Soccer
Association.
Term Expires 2013.



Stewart Black
Board member since 1983.
Resigned from the Board in
2006 to teach in Japan for
a year. Appointed back as
a director by the Board in
January 2009. Term expires
2012.

2010 Staff

Management



David G. Benny, Linda St-Amand, Tina Antonio, Jacki Vant, Brian DiPaolo, Margaret Peters

Awards to Staff & Directors

Years of Service

Ada Lewis 25yrs
Diane Nieuwesteeg 5yrs

Perfect Attendance

Linda St-Amand
Susan Davidson

CSCU Staff



Front Row: Susan St . Marseille, Tammy Banks, Jennifer Julian, Jennifer Foisey
Second Row: Joanne Cerminara, Joann Vidican, Claudia Pignotti, Jessica Taylor –Sullivan, Shawna Miersch
Back Row: Marianne Rosa, Huguette Leduc, Anne Pagano, Catherine Palmer
Absent from photo: Sue Davidson, Ada Lewis, Patricia Hrycusko, Henrietta Beck

Annual General Meeting

March 28, 2011

Club Italia

2525 Montrose Road, Niagara Falls

1. Chair's Welcome
2. Roll Call and Minutes of the Last Year's Annual Meeting
3. Report of Board of Directors
4. Chief Executive Officer's Report
5. Audit Committee Report
6. Lending Report
7. Auditor's Report: Deloitte & Touche
8. Social Audit
9. Appointment of Auditors
10. Election of Directors
11. New Business
12. Question Period
13. Presentations
14. Door Prizes
15. Adjournment
16. Refreshments

March 29, 2010

At Club Italia – 2525 Montrose Road, Niagara Falls, Ontario

The Annual General Meeting (AGM) of the members of Cataract Savings & Credit Union Limited was called to order at 7:00PM. Chair, Frank Perugino, welcomed our members and guests then called on Jacki Good for the singing of O Canada.

Chair, Frank Perugino, introduced our Board of Directors.

The Corporate Secretary, Rick Tabaka, reported that 95 members and 19 guests had signed in and that there was a quorum (20 members required). Therefore, the meeting was duly constituted to conduct business. Rick Tabaka acknowledged and introduced the guests present.

The adoption of the minutes of the March 30, 2009 meeting was moved by Rick Tabaka and seconded by Linda St-Amand. Carried.

Frank Perugino, Chair, presented the Report of the Board of Directors. Frank thanked the board, management and staff for their hard work and for helping turn the credit union around. A motion was moved by Huguette Leduc and seconded by Jessica Taylor-Sullivan that we accept the Report of the Board of Directors. Carried.

Dave Benny presented the CEO's Report. A motion to accept the report was moved by Dave Benny and seconded by Eric Lefebvre. Carried.

Bernie Villamil presented the Audit Committee Report. A motion to accept the report was moved by Bernie Villamil and seconded by John Corney. Carried.

Doug Hunt from Deloitte & Touche delivered the Auditor's Report. A motion was moved by Joan Frank and seconded by Linda St-Amand that we accept the report. Carried.

Jacki Good encouraged members to be very careful to protect their PIN numbers and to change their PIN at least every 30 days to help in the combat against debit card fraud.

Jacki Good presented the Manager of Lending Report. Motion to accept the

report was moved by Don Mullan and seconded by Anne Pagano. Carried.

Bernie Villamil called for a motion to accept Deloitte & Touche LLP as our Auditors for 2010. A motion was moved by Marianne Rosa and seconded by Don Dimond that we accept Deloitte & Touche LLP as our Auditors for 2010. Carried.

Elections for the Board of Directors were held. Bernie Villamil, nominating committee chair, after naming the three incumbents up for election, turned the elections over to Doug Hunt. Doug Hunt of Deloitte & Touche LLP conducted the election process. Three (3) positions on the board were available to be filled. The ballot had the following names listed for election to the Board: Sherry Madden, Diane Nieuwesteeg and Rick Tabaka. Mr. Hunt called for additional nominations three times from the floor. Eva Klein and Lisa Maves were nominated from the floor. He asked Eva and Lisa to address the membership. He then asked the three incumbents Rick Tabaka, Diane Nieuwesteeg and Sherry Madden to address the membership. Mr. Hunt asked special guests, Bob Watson from PenFinancial Credit Union and Tim Whalen from Thorold Community Credit Union, to assist him as scrutineers to gather and count votes.

Dave Benny presented the By-Law Amendments. Moved by Eric Lefebvre and seconded by Jim Stewart that we approve the By-Law Amendments as presented. Carried

Frank Perugino introduced Kim Craiton, our Member of Provincial Parliament, to address our members.

Doug Hunt advised that the three directors elected were Diane Nieuwesteeg, Rick Tabaka and Eva Klein. Mr. Hunt thanked Bob Watson and Tim Whalen for their assistance.

Motion to destroy ballots and dismiss the scrutineers was moved by Joan Frank and seconded by Eric Lefebvre. Carried

Chris Walsh presented long term service pins as well as perfect attendance awards to the staff.

Tina Antonio presented our first \$1,000 Bonnie Barron Bursary to her son, Jason Barron.

Next, Frank Perugino opened the floor for questions.

Rev. Don Mullan greeted the members and spoke about the success of the Credit Union. Rev. Mullan thanked the board, management and staff for their friendly smiles and friendly greetings when he comes into the credit union and commented that we are blessed with great staff. Congratulations to all.

Tina Antonio, Jessica Taylor-Sullivan, Kim Papetti and Jennifer Julian conducted the draw for door prizes.

Adjournment was moved by Bernie Villamil and seconded by Deb Konyi. Carried.

Meeting adjourned at 8:35 PM



Frank Perugino, Chair



Jacki Good, Recording Secretary

Report of the Board 2010

Report of the Board of Directors

It is with great pleasure that I present to you this report on behalf of the Board of Directors of Cataract Savings & Credit Union.

This year your Board has worked very hard to ensure that our recovery from the recent recession continues in a positive light. Our profits this year are exceptional as you can see by the financial reports enclosed. These successes have been realized despite the economic downturn in the Niagara Region which has been slow in its recovery.

The role of your Board is to continually monitor the progress of the Credit Union, providing guidance to staff and management. It is this dedication that has kept us profitable, which is only one measure of our success. The Board realizes that we are responsible for ensuring that operating costs are kept under control and as a result, have decreased our honourarium in both 2008 and 2009. Also, we have had most of our training sessions and meetings “in house” to keep costs down.

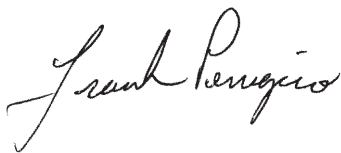
Following our Annual General Meeting in 2010, the Board conducted the election of officers. The result of the votes were as follows: Frank Perugino-elected Chairman, Chris Walsh - Vice Chairman, and Rick Tabaka – Corporate Secretary.

In 2010 the Board met monthly to monitor the Credit Union’s progress and fulfill its fiduciary duties. The governance committee met monthly as well. The Audit and Risk Management Committee met quarterly as required.

In order to stay competitive and to offer new and more efficient products and services, we are continuing to meet with PenFinancial Credit Union for the purposes of a merger. This will result in a wider range of service options within our operations. We will keep the members up to date as the process continues.

We the Board wish to thank the members for the confidence they have placed in the Credit Union, thus making us a viable banking alternative for the people of the Niagara area. The Board works for you, its members. This responsibility is taken on with great pride and dedication. We are looking forward to meeting the challenges in the coming year.

Respectfully submitted,



Frank Perugino

President,

Cataract Savings & Credit Union Board.

2010 *CEO Report*

Report from the CEO

The year 2010 was a challenging but very successful year at Cataract Savings.

The local and national economies were hard hit during the past few years and the impact of the recession continues to be felt by some of our individuals and business members. We are looking ahead in 2011 with a cautious optimism.

Cataract Savings had a good year in 2010. Although we set aside \$225,000 in 2010 as a safety net for impaired loans, our profit exceeded \$600,000. It should be noted that our profit was aided by \$387,540 from realized and unrealized gains on our marketable investments. Our total capital reached \$7 million representing over 9% of assets which is more than double the regulatory requirement.

The year 2011 will prove exciting for us all as well. Your Board of Directors and I have entered into an amalgamation agreement to merge our Credit Union with PenFinancial Credit Union who are based in Welland and in St. Catharines on or about June 30, 2011.

Our studies revealed service levels for our members and employment opportunities for our staff would improve significantly. Operating expenses in percentage terms would reduce due to the economies that would result in many areas of the operation. The staff are looking forward to these new challenges and opportunities to serve you better from as many as six (6) locations with more services and products from which to choose.

I now wish to express my appreciation to our elected Board Members. These individuals bring their personal skills and talents to our Credit Union. Their diversified talent has helped us make the right decisions to make the most of our opportunities. I thank them for this commitment and effort.

Your Credit Union's staff deserve much recognition. They take educational courses to improve themselves, they develop and implement new services and products, they embrace necessary change, they put members first and serve them willingly, professionally and competently. It has been a pleasure for me to work with them all.

Everyone here at Cataract sincerely respect and value the members of Cataract Savings. We thank you for your loyalty and continuing patronage.



David G. Benny,
CEO

Audit Committee Report **2010**

Audit Committee Report - 2010

The Audit Committee of Cataract Savings & Credit Union is a committee of three directors appointed by the Board in accordance with Section 125 of the Credit Unions and Caisses Populaires Act, 1994. The mandate of this committee is to assist the Board in the areas of financial review and reporting, risk management and controls, audit activities, and compliance activities.

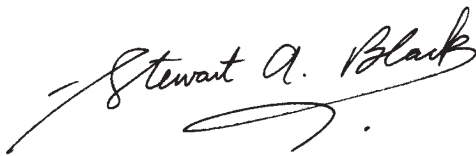
The Act requires that the Audit Committee meet at least quarterly. During the year, your Committee went beyond the prescribed number of meetings in order to meet its responsibilities. Below are some of the duties we carried out during the year:

- Met twice with Doug Hunt of Deloitte & Touche, our external auditor, to discuss the scope of their audit and their Letter of Engagement, and to review the year end financial statements and Management Letter
- Met with Patrick Leeney, our contracted internal auditor, to discuss his reports and implement his recommendations as required
- Recommended the appointment of our external auditor to the Board
- Reported our findings and followup to the Board

The Audit Committee reports that there are no outstanding issues of a material nature to report. Recommendations to the Board and Management have been or are in the process of being implemented. We are very satisfied with the work of Deloitte & Touche and of Patrick Leeney.

In carrying out our duties, we have had the complete support and cooperation of our management staff. They are a pleasure to work with.

Respectfully submitted by the Audit Committee,



Stewart A. Black
Chair, Audit Committee

2010 *Lending Services Report*

Report from the Manager of Lending Services

The consolidated Loan and Mortgage Totals for Cataract Savings & Credit Union Limited for the year ending December 31, 2010 are as follows:

	<u># Approved</u>	<u>Amount</u>
Personal Loans	251	\$ 2,228,025
Chequing Lines of Credit	42	\$ 269,367
Residential Mortgages	183	\$ 5,459,485
Commercial Loans	3	\$ 45,000
Commercial Mortgages	20	\$ 1,488,229
Commercial Chequing Lines of Credit	6	\$ 95,859
Letters of Credit	1	\$ 74,750
Syndication Loans	5	\$ 818,044
TOTAL	511	\$ 10,478,759
Loans Declined	122	\$ 5,084,256

The number of loans more than ninety (90) days in arrears was 18 with an aggregate value of \$1,486,344. This amount consists of mortgages totaling \$278,900; commercial mortgages totaling \$969,085; commercial line of credits totaling \$130,643 and personal loans/line of credits in the amount of \$107,716. We do have ample provisions to cover any potential loss.

Cataract Savings is committed to working towards growth in the loan portfolio, as well as striving towards lower delinquency levels. We are cognizant of our economic environment, our challenges and our opportunities. We look forward to having a successful year in 2011.

At this time, we would like to thank all of our members who continue to use the services of the Credit Union. I would also like to thank our dedicated staff and directors for their continued good work and support throughout the year.

Respectfully submitted by:



Jacki Vant
Manager of Lending Services

Social Audit 2010

2010 Social Audit

Cataract Savings & Credit Union has a strong commitment to our community. Being a part of the Niagara Falls Community for 62 years we pride ourselves on being focused in giving back.

We support a variety of events and non profit organizations. Included are sports team's sponsorships, donations to education, community events and health care.

All of our employees are encouraged to get involved and be part of our growing community.



2010 *Management Responsibility*

Management Responsibility for Financial Reporting

Board of Directors

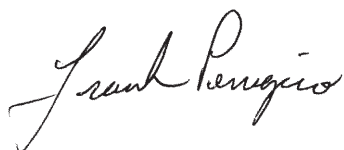
The accompanying financial statements were approved by the Board of Directors, which has overall responsibility for their contents.

Audit Committee

The Board of Directors is assisted in its responsibility for these financial statements by its Audit Committee. This committee consists of three board members whose function is to:

- Review all financial statements and recommend them for approval to the Board of Directors.
- Review the management letter prepared annually by the external auditors.
- Recommend the appointment of the external auditors and their fee arrangement to the Board of Directors.
- Review other accounting and financial matters as required. In carrying out the above responsibilities, this committee meets regularly with the Management of the Credit Union and meets periodically with the external auditors to review their findings and to satisfy itself that their responsibilities have been properly discharged.

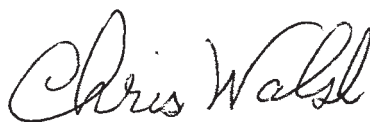
The financial statements were prepared by the Management. In the opinion of the Management, the accompanying financial statements fairly reflects the financial position and the results of operations of the Credit Union within reasonable limits of materiality and in accordance with the accounting policies outlined in Note 3 of the audited financial statements.



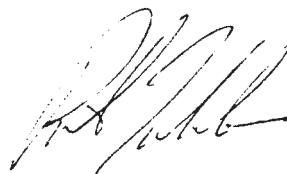
Frank Perugino
Chair



David G. Benny
Chief Executive Officer



Chris Walsh
Vice Chair



Rick Tabaka
Corporate Secretary

Auditor's Report 2010

Deloitte.

Deloitte & Touche LLP
25 Corporate Park Drive
3rd Floor
St. Catharines ON L2S 3W2
Canada

Tel: 905-323-6000
Fax: 905-323-6001
www.deloitte.ca

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARIZED FINANCIAL STATEMENTS

To the Members of Cataract Savings & Credit Union Limited

The accompanying summarized financial statements, which comprise the summarized balance sheet as at December 31, 2010, the summarized statement of income, summarized statement of comprehensive income, summarized statement of members' equity and summarized statement of cash flows for the year then ended, are derived from the audited financial statements of Cataract Savings & Credit Union Limited for the year ended December 31, 2010. We expressed an unmodified audit opinion on those financial statements in our report dated February 16, 2011. Those financial statements, and the summarized financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summarized financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles. Reading the summarized financial statements, therefore, is not a substitute for reading the audited financial statements of Cataract Savings & 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 Canadian generally accepted accounting principles.

Auditor's Responsibility

Our responsibility is to express an opinion on the summarized 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 summarized financial statements derived from the audited financial statements of Cataract Savings & Credit Union Limited for the year ended December 31, 2010 are a fair summary of those financial statements, in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Licensed Public Accountants
February 16, 2011

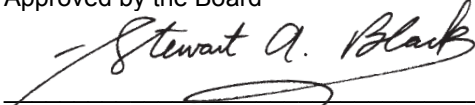
2010 Financials

Cataract Savings & Credit Union Limited

Summarized balance sheet
as at December 31, 2010

	2010	2009
	\$	\$
Assets		
Cash and cash equivalents	5,177,624	3,263,670
Investments	18,432,384	20,605,058
Loans to members	50,331,143	51,774,324
Accrued interest receivable	181,216	204,332
Prepaid expenses and sundry receivables	90,767	84,069
Income taxes recoverable	38,194	38,194
Future income taxes	159,253	164,772
Capital assets	1,336,451	1,380,180
	75,747,032	77,514,599
Liabilities		
Members' deposits		
Demand deposits	24,889,132	24,087,428
Chequing accounts	11,629,170	12,330,319
Term deposits	5,939,314	8,370,122
Mortgage Fund savings	6,118,677	5,730,097
Registered retirement plans	19,797,682	20,210,349
	68,373,975	70,728,315
Other liabilities		
Accounts payable and accrued liabilities	264,949	317,118
Accrued interest on deposits	166,155	236,065
	431,104	553,183
Liabilities qualifying as regulatory capital	2,284,404	2,205,890
	71,089,483	73,487,388
Members' equity		
Contributed surplus	279,955	279,955
Accumulated other comprehensive loss	(37,812)	(64,378)
Retained earnings	4,415,406	3,811,634
	4,657,549	4,027,211
	75,747,032	77,514,599

Approved by the Board



Director



Director

Financials 2010

Cataract Savings & Credit Union Limited

Summarized statement of income
year ended December 31, 2010

	2010	2009
	\$	\$
Revenue		
Interest on mortgages and loans		
Mortgage	1,373,372	1,443,692
Personal	540,465	503,985
Commercial	799,740	851,303
Investment income	810,390	954,307
Unrealized gain on held for trading investments	263,115	964,125
Other income	811,215	818,223
	4,598,297	5,535,635
Financial expenses	1,070,282	1,345,757
Financial margin	3,528,015	4,189,878
Operating expenses		
General business	562,535	644,294
Information systems	323,615	309,450
Membership security insurance	131,080	161,399
Occupancy	352,411	207,132
Organization costs	120,256	134,146
Other	16,832	17,050
Personnel	1,236,950	1,071,090
	2,743,679	2,544,561
Gain on sale of investments	124,425	93,951
Dividends on Class A investment shares	(79,989)	(72,289)
Provision for impaired loans	(225,000)	(169,505)
	(180,564)	(147,843)
Income before income taxes	603,772	1,497,474
Income taxes - provision (recovery)		
Current	-	(27,000)
Future	-	300,000
	-	273,000
Net income	603,772	1,224,474

2010 *Financials*

Cataract Savings & Credit Union Limited

Summarized statement of comprehensive income
year ended December 31, 2010

	2010	2009
	\$	\$
Net income	603,772	1,224,474
Other comprehensive income (loss), net of tax		
Unrealized gains on available-for-sale investments arising during the year (net of tax \$5,846 (2009 - \$28,162))	28,346	142,517
Reclassification to net income of realized losses in the year (net of tax \$327 (2009 - \$17,830))	(1,780)	(90,230)
	26,566	52,287
Comprehensive income	630,338	1,276,761

Cataract Savings & Credit Union Limited

Summarized statement of members' equity
year ended December 31, 2010

	2010	2009
	\$	\$
Retained earnings		
Balance at the beginning of the year	3,811,634	2,587,160
Net income	603,772	1,224,474
Balance at the end of the year	4,415,406	3,811,634
Accumulated other comprehensive loss		
Balance at the beginning of the year	(64,378)	(116,665)
Transition adjustment	-	-
Other comprehensive income for the year	26,566	52,287
Balance at the end of the year	(37,812)	(64,378)
Total retained earnings and accumulated other comprehensive loss	4,377,594	3,747,256
Contributed surplus		
Balance at the beginning of the year	279,955	279,955
Fair value of net assets acquired	-	-
Balance at the end of the year	279,955	279,955
Members' equity at the end of the year	4,657,549	4,027,211

2010 *Financials*

Cataract Savings & Credit Union Limited

Summarized statement of cash flows
year ended December 31, 2010

	2010	2009
	\$	\$
Operating activities		
Net income	603,772	1,224,474
Items not affecting cash		
Provision for impaired loans	225,000	169,505
Future income taxes	-	300,000
Dividends on Class A investment shares	79,989	72,289
Gain on sale of investments	(124,425)	(93,951)
Unrealized gain on held for trading investments	(263,115)	(964,125)
Amortization on capital assets	101,524	112,256
Changes in non-cash operating working capital items		
Accrued interest receivable	23,116	74,998
Prepaid expenses and sundry receivables	(6,698)	(31,425)
Accounts payable and accrued liabilities	(52,169)	(3,908)
Income taxes recoverable	5,519	112,479
Accrued interest on deposits	(69,910)	(74,482)
	522,603	898,110
Investing activities		
Loans to members - net	1,218,181	(1,525,284)
Investments - net	2,586,780	(269,938)
Purchase of capital assets	(57,795)	(153,480)
	3,747,166	(1,948,702)
Financing activities		
Members' deposits - net	(2,354,340)	424,585
Class A investment shares	1,253	987
Membership shares	(2,728)	(1,380)
	(2,355,815)	424,192
Net change in cash and cash equivalents	1,913,954	(626,400)
Cash and cash equivalents, beginning of year	3,263,670	3,890,070
Cash and cash equivalents, end of year	5,177,624	3,263,670
Supplemental disclosure of cash flows		
Interest paid	1,140,192	1,420,239
Income taxes recovered	-	142,192



**CATARACT
SAVINGS &
CREDIT UNION**

a future together

ANNUAL REPORT