



closer to home, closer to you



**HALD-NOR**  
CREDIT UNION

2008 Annual Report

# corporate responsibility

For 53 years, Hald-Nor Community Credit Union (HNCCU) has served its Owners with a commitment to responsible handling of transactions and delivering high quality service and advice. However, as a result of delivering services, two other dimensions of corporate responsibility arise. These relate to how we utilize and care for the physical resources necessary to deliver services, and how we engage with the communities in which we work.

The Board of Directors of HNCCU expects and regularly reviews that Management and Staff are caretakers of the Credit Union's buildings, property and equipment in a manner that demonstrates strong respect for Owners and Staff. The organization has policies that guide the purchase of capital assets, however, recently the Board of Directors has placed greater emphasis on the use of technology to help reduce the volume of paper being purchased, storage space required and equipment needed to handle paper-based processes. While the Directors understand this will change how service is delivered, they believe that it is essential to recognize not only that natural resources are limited, but also that it is our responsibility to be guardians for future generations.

HNCCU and its Board of Directors remain committed to the mission of providing individual Owners with the financial services they want and need, as identified in the organization's policies and regulations. As well, the organization continues to ensure that it operates as a strong business entity for the benefit of its Owners, and that it functions as an involved and engaged member of the communities it serves through cooperation, volunteerism, donations, sponsorship and leadership.

## **board of directors**

Gary Beemer  
Doug Buchanan  
Dick Kranendonk  
Greg Schmidt  
Katrina Schmitz (Chair)  
Chris Smith  
Dan Wagner

## **audit committee**

Doug Buchanan  
Dick Kranendonk  
Dan Wagner (Chair)

## **governance**

committee  
Gary Beemer  
Greg Schmidt  
Katrina Schmitz  
Chris Smith (Chair)

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# board of directors report



Katrina Schmitz, Chair, Board of Directors

On behalf of the Board of Directors of Hald-Nor Community Credit Union (HNCCU), it gives me great pleasure to share with you reports on the performance of the Credit Union for year ending June 2008. Hald-Nor is a full-service partner that in 2008 has grown assets to \$100 million. A skilled management team under the leadership of President & C.E.O. Ralph Luimes and Staff continue in their commitment to play an important role in the financial and social fabric of this Southern region of Ontario.

The Board of Directors oversees the governance and leadership of the Credit Union. Monthly reports are received, implications considered and direction or policy adjusted as required. The Board also receives reports from the Audit Committee which reviews how work is done, while a Governance Committee evaluates the performance of the C.E.O., ensures the annual review of policy takes place, and receives reports on staff. The Board approves the annual business plan and participates in continuous education programs to ensure remains informed of legislation and other matters important to achieve prudent governance to take place. As Chair, I find the skills and diversity of individuals elected to the Board of Directors to be helpful as collectively they serve to provide sound leadership striving for ongoing growth and stability.

Despite some challenges, we are pleased to report we were successful in meeting objectives as follows:

- Continued to build capital reserves for financial stability;
- Committed to the installation of handicap entrances in each branch;
- Installed a backup generator at the administration office to reduce operational risk;
- Launched wealth management and financial planning services;
- Participated on leadership team for the national credit union advertising campaign;
- Expanded services out beyond the traditional service region;
- Strengthened the accounting team to adjust to the new international accounting standards;
- Supported the consolidation of British Columbia and Ontario Centrals;
- Engaged communities through corporate giving, volunteering, leadership and problem resolution;
- Maintained collaborative relationships with stakeholders;
- Effectively and efficiently managed resources.

While we grow, we must never lose sight of our vision and distinctive values as a cooperative organization: remaining committed to providing excellent financial services at a competitive price, building a solid financial base and engage in our communities in a meaningful manner.

As the Chair of the Board of Directors, I extend sincere appreciation to the contributions made by Director Doug Buchanan who stepped down for medical reasons. In succession, the Board appointed Jon Vanderheiden to fill the vacancy. Thank you also Members, Staff, Management and fellow Directors for achieving a milestone and together continue as a distinctive financial institution.

Katrina Schmitz, Chair, Board of Directors





Ralph Luimes, President and Chief Executive Officer

# report of the president & c.e.o.

At time of writing, the US government is trusting in resolutions to support organizations impacted by subprime mortgage issues that have now affected credit markets globally. Despite this, Hald-Nor earnings have remained steady and growth continued to the \$100 million mark. Except as outlined below, Hald-Nor has not sold ABCP (Asset Backed Commercial Paper) to our Members, or invested in ABCP or U.S. sub-prime mortgages as part of our corporate investment portfolio. The credit union was indirectly impacted through higher funding costs from external parties which reduced revenue, therefore adversely impacting revenue at this time.

## relationships

At Hald-Nor we understand relationships as referring to the combined balance of our Member's business. Traditionally this has been loans and deposits. Given our scope of products and services now includes wealth management, we are expanding that view to include mutual funds\*. Together they represent an important measure of growth and performance. In 2008, assets under management grew by 7%, or \$6.7 million. Loans increased by 10.7% or \$8.4 million and remain as the significant driving factor to growth in Member relationships. Deposits grew in excess of 5% or \$4 million and are supplemented with external borrowings to fund loans to Members. The mutual fund base is just getting started, therefore is immaterial at this time. Member loan losses

declined within reasonable limits and the return on investment shares was paid out as cash at a rate of 4.5%. After-tax profit is for the year was \$427,943 which is down slightly from 2007. All after tax profit was assigned to reserves to build capital for financial stability and support growth.

## looking ahead

Given market dynamics at this time, forecasted growth is down for 2009. Revenue from investments is expected to decline as they are negatively impacted by factors related to the sub-prime lending situation in the U.S. To strengthen revenue, Staff are seeking out other sources of non-interest revenue such as mutual funds, insurance commission, service charges, loan and commitment fees, Interac\*\*, foreign exchange and others. Staff are also working hard to reduce non-interest expenses such as printing and courier charges by using electronic records. Electronic presentment of checks and statements is one area that will significantly impact Members. While one time conversion costs are always high, the resulting reduction in operations is favourable. Management expects a profitable year which will in turn contribute to its capital base, keeping Hald-Nor strong and enables continuing investments in products, services and operations.

## national consolidation

Much work has gone into merging the Central credit union support offices of Ontario and British Columbia, owned by credit unions of that province. Motivated by efficiency gains, credit unions from both provinces were almost unanimous as the deal closed on July 1, 2008. To make the deal possible, Ontario credit unions

assumed ownership of a proportional share of ABCP at fair market value. Ontario credit unions formed a limited partnership to manage these third party investments as cash flow is currently frozen with no liquid market. Hald-Nor's portion is \$667,339 plus accrued interest of \$21,098 in escrow.

## thank you

A sincere thank you goes out to all Staff and Management for their work and commitment. We extend prayers and strength to Doug Buchanan as he battles cancer. Together, let us remain focused in our great task - to be the best we can be for our Members.

Ralph Luimes, President & CEO

\* Used under license as is Q-Trade for wealth management.  
\*\* Interac is a registered trademark of Interac Inc.



# report on management responsibility



The accompanying summarized financial statements and the complete financial statements of Hald-Nor Community Credit Union Limited (HNCCU) have been approved by the Board of Directors. All financial and operating data included in this annual report are consistent with the financial statements.

The complete financial statements have been prepared by Management in accordance with Canadian generally-accepted accounting principles and the Credit Unions and Caisses Populaires Act, 1994 (Ontario). They also are based on informed judgments and estimates of the expected effects of current activities and transactions. When alternative accounting methods exist, Management and the Audit Committee have chosen those that they deem most appropriate in the circumstances. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information contained elsewhere in the Annual Report and has ensured that it is consistent with financial statements.

The Audit Committee met five times with Management and External Auditors, to discuss internal controls over the financial reporting process, scope of audit, organizational risk and the External Auditor's report. The Committee reports its findings to the Board of Directors for consideration.

Millard, Rouse & Rosebrugh LLP (MRR) - the external auditors - have examined the complete financial statements in accordance with Canadian accepted auditing standards. MRR have full and unrestricted access to the Audit Committee to discuss their audit and related findings.

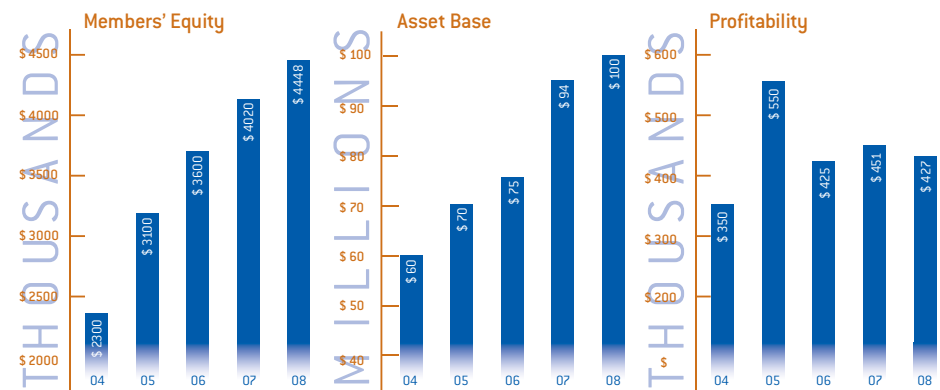
## consolidated

	2008	Number	000' Dollars	% of Total\$	2007	Number	000' Dollars	% of Total\$
Personal Mortgages	Approved	103	15,331	86%	106	13,802	79%	
	Declined	17	2,525	14%	24	3,712	21%	
	TOTAL	120	17,856	100%	130	17,514	100%	
Personal Loans	Approved	283	2,506	72%	312	2,191	66%	
	Declined	66	980	28%	65	1,122	34%	
	TOTAL	349	3,486	100%	377	3,313	100%	
Personal LOC's	Approved	142	4,485	98%	142	5,366	98%	
	Declined	20	88	2%	18	90	2%	
	TOTAL	162	4,573	100%	160	5,456	100%	
Business Loans & LOC's	Approved	34	4,131	43%	42	4,029	40%	
	Declined	25	5,385	57%	27	6,111	60%	
	TOTAL	59	9,516	100%	69	10,140	100%	
<b>Delinquency</b>				<b>0.71%</b>				<b>1.45%</b>

## financial highlights

Ralph Luimes,  
President & CEO

Connie Wighton,  
VP Finance & CFO



# auditor's report

## **Hald-Nor Community Credit Union Limited**

The accompanying summarized balance sheet, statements of income, undivided earnings, reserve for financial stability, accumulated other comprehensive income, comprehensive income and cash flows are derived from the complete financial statements of Hald-Nor Community Credit Union Limited as at June 30, 2008 and for the year then ended. In our auditors' report on the complete financial statements dated July 18, 2008, we expressed an unqualified opinion. 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 entity's financial position, results of operations and cash flows, reference should be made to the related complete financial statements.

*Millard, Rowe & Rosebrugh LLP*

CHARTERED ACCOUNTANTS  
Licensed Public Accountants  
Hagersville, Ontario  
July 18, 2008



# balance sheet



As at June 30

## Assets

	2008	2007
Cash and bank	3,151,895	2,893,157
Other current assets	1,188,456	664,143
Loans receivable	86,190,242	77,813,234
Investments	9,533,825	11,930,068
Property, plant and equipment	571,576	653,548
Future income taxes	89,189	66,947
	<b>100,725,183</b>	<b>94,021,097</b>

## Liabilities and members equity

Term loans	5,000,000	3,300,000
Other current liabilities	2,151,482	1,716,488
Members deposits	85,909,217	81,753,934
Liabilities qualifying as regulatory capital	3,225,636	3,230,322
Reserve for financial stability	4,448,296	4,020,353
Accumulated Other Comprehensive Income	-9,448	0
	<b>100,725,183</b>	<b>94,021,097</b>

# statement of undivided earnings

As at June 30

	2008	2007
Balance - beginning of year	0	0
Add: Net Income	427,943	450,926
Less: Appropriation to reserve for financial stability	427,943	450,926
<b>Balance - end of year</b>	<b>0</b>	<b>0</b>

## statement of reserve for financial stability

Balance - beginning of year	4,020,353	3,569,427
Add: appropriation from undivided earnings	427,943	450,926
<b>Balance - end of year</b>	<b>4,448,296</b>	<b>4,020,353</b>

# statement of accumulated other comprehensive income

As at June 30

	2008	2007
Balance - beginning of year	0	0
Transition adjustment to financial instruments	-118,927	0
Other comprehensive income for the year	109,479	0
<b>Balance - end of year</b>	<b>-9,448</b>	<b>0</b>

## statement of comprehensive income

Net Income	427,943	0
other comprehensive income	109,479	0
<b>Comprehensive income for the year</b>	<b>537,422</b>	<b>0</b>

# statement of income

As at June 30

	2008	2007
Revenue	6,290,907	5,954,462
Financial costs	2,393,533	2,053,075
Expenses	3,224,823	2,983,915
income before dividends, income taxes and other expenses	672,551	917,472
estimated dividends on investment shares	121,737	124,320
loss on investment	0	183,458
income before income taxes	550,814	609,694
provision for income taxes	122,871	158,768
<b>Net income</b>	<b>427,943</b>	<b>450,926</b>

# statement of cash flows



As at June 30

	2008	2007
Cash flows from operating activities	650,554	819,778
Cash flows from financing activities	5,850,597	15,145,635
Cash flows from investing activities	-6,242,413	-16,994,430
net decrease in cash and cash equivalents	258,738	-1,029,017
opening cash and cash equivalents	2,893,157	3,922,174
<b>Closing cash and cash equivalents</b>	<b>3,151,895</b>	<b>2,893,157</b>



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