

your community | your credit union

2009

Annual Report

A Year of Achievements



“Realizing the necessity of correcting the loan shark evil, they got together for the purpose for small people's banks where a man of good character and modest circumstances could borrow at reasonable rates of interest.” – Felix Varenburg, A participant in a 1908 meeting to found credit unions in Massachusetts

Our Mission

The goal of the Kingston Community Credit Union is to maximize member benefits through cost effective financial services consistent with co-operative principles, applicable legislation and prudent management.

Our Operating Objectives

Service to Members

- To provide quality services at favourable terms.
- To actively provide a wide range of financial products to our members to assist them with their financial needs.
- To build lasting relationships with our members through concern and respect for their dignity and self-worth.

Membership Ownership

- To be directed by representatives elected by active, informed members.

Financial Performance

- To be accurate and efficient, manage risk and generate profit in order to build a strong capital base.

Personnel

- To attract capable people and provide a stimulating and challenging environment in which they can work, grow and build a career.

Community

- To be a good neighbour in our local communities.
- To be an active participant in the co-operative system.
- To maintain good relations with all levels of government on a non-partisan basis.
- To set a positive example of co-operation.
- To provide all members of the community in which we serve the opportunity to participate in a co-operative.



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Website & E-mail

Refer a friend, apply for a loan, read the newsletter, get an insurance quote, check out rates, see the product of the month, and much more... It's interactive! Now, more than ever, you can get information about KCCU on-line! Visit your Credit Union's website at www.kccu.ca or communicate with our staff through e-mail at kccu@kccu.ca.

Greater Kingston Chamber of Commerce Awards Credit Union

KCCU Wins 2009 Business of the Year

(November, 2009 - Kingston, Canada) KCCU has been awarded the Greater Kingston Chamber of Commerce 2009 Business of the Year. CEO, Blake Halladay accepted the Award on behalf of the Credit Union saying "I would like to thank the Chamber for the honour of having been considered alongside such other worthy nominees". He expressed his "gratitude and appreciation at the great honour and recognition from the community" and offered great praise to the staff, Board and Members without whom he said "this achievement would not have been possible". Halladay went on to say "We may be the best kept secret in Kingston."

Over the years KCCU has also received these other awards: The Central 1 Credit Union Innovation Award (2009), The MACU (Marketing Association of Credit Unions) Award (2009), The AIME Best campaign on a Shoestring Award (2009), The World Charity Award (2008), The Mentorship Award (2003), The Distinguished Service Award (2000), The Canadian Co-operative Association's Lifetime Achievement (2000) and Ontario Distinguished Co-operator Awards (2000), The Afro-Caribe Community Foundation Special Award (2006), The Gary Gillam Award for Promoting Social Responsibility (1999) and The Ontario Credit Union Charitable Foundation's Corporate Award for Outstanding Charitable Achievement (1999, 2008).

In its overall marketing, KCCU has effectively communicated that members are owners and share in the profits. The dividend each member receives is based upon the amount of business they do with KCCU. Over the past five years, KCCU has returned \$1.5 Million in profits to its members in the form of dividends, interest and service charge rebates.

The Credit Union was founded more than 50 years ago, and has grown to become one of Ontario's most award-winning credit unions. KCCU has \$100 Million in assets, serving over 12,000 members with three branches.



Community Involvement and Charitable Contributions

Advisory Council for Smaller Credit Unions
Art on the Street
Bereaved Families of Kingston
Boys and Girls Club of Kingston
Community Foundation of Kingston
Elgin and area Heritage Society
Exceptional People's Olympiad
HIV/AIDS Regional Services
Hockey Hall of Fame
Home Base Housing
Juvenile Diabetes Foundation
KCCU Christmas Caring Program
KGH cardiac unit
Kid's Help Phone
Kingston Area Minor Hockey Association
Kingston Community Health Centres
Kingston Humane Society
Kingston Impact Girls Basketball
Kingston Mayworks Festival
Kingston Regional Arts Council
Kingston School of Art
Kingston Symphony Association
Myotonic Dystrophy Research
Old MacDonald's Daycare
Ontario Co-operative Association
Ontario CU Charitable Foundation
Queen's Shinerama Sidewalk Sale
Ride for Breast Cancer
Skeleton Park Music Festival
St. Mary's on the Lake
Street Health - KCHC
The Salvation Army
The United Way
University Hospitals Kingston Foundation
Women's Art Festival

The Leadership Through Co-operation Scholarship

Bayridge Secondary School
Ecole Secondaire Marie Rivier
Ecole Secondaire Milles Iles
Ernestown High School
Frontenac Secondary School
Holy Cross Catholic Secondary School
Kingston Collegiate Vocational Institute
LaSalle High School
Loyalist Collegiate Vocational Institute
Queen Elizabeth Collegiate Vocational Institute
Regiopolis-Notre Dame Catholic High School
Rideau District High School
St. Lawrence College Foundation
St. Peter Catholic School
Sydenham High School



"In 2009, KCCU through the support of the Ontario Credit Union Charitable Foundation, also gave to over 30 charitable organizations including Food Bank and out in the cold programs, the distribution of clothing to disadvantaged families, The Abruzzo Earthquake Relief Fund, The Strong Kids Campaign, childhood mental health agencies, The ON COOP young leaders program, international credit union development in Uganda and others in addition to programs to support reducing our carbon footprint, positive environmental action, local donation and community support."

Board of Directors

Larry McCormick , retired, politician/ entrepreneur	Chair	2010
Norman Meyers , retired, KGH	Vice- Chair	2011
Robert Trentadue , Purolator	Secretary	2011
Joyce Phillip , retired, Queen's University	Director	2011
Dawn Crawford , entrepreneur	Director	2009*
Paul Lorenz , City of Kingston - Police Department	Director	2010
Wayne VanLuven , retired, City of Kingston	Director	2010

*term expires



"I am not the only one but still I am one: I cannot do everything but I can do something and because I cannot do everything, I will not refuse to do the something that I can do." – Edward Everett Hale



Report of the Chair of the Board of Directors

Welcome to our members and guests to Kingston Community Credit Union's Annual Meeting for the fiscal year 2009. It has been a rewarding experience being Chair of such a socially progressive, member-oriented credit union as demonstrated by our community involvement and our list of charitable contributions. I feel a great sense of pride in our accomplishments together over the past year.

Due to the commitment, hard work and dedication of all of our staff we had another record year. We were also awarded Business of The Year by the Kingston Chamber of Commerce. This is perhaps the greatest indicator of our image and reputation in the community. We also won three other awards in 2009 for marketing excellence and value and youth marketing. We are fortunate to have such strong and experienced leadership. Our results continue to speak for themselves.

I am pleased to recommend to the membership for your approval a 20% Dividend on ownership shares; 3% dividend on Dividend Savings; 3% loan interest rebate on personal variable rate loans and Lines of Credit; and a 20% rebate on Personal Demand service charges.

I wish to thank the Board and senior management team for their support and dedication to the ideals that have made us what we are and continue to guide us, as members and as a Credit Union, always striving to be better and stronger each year.

Respectfully submitted,

Larry McCormick,
Chair, KCCU Board of Directors





Report of the Chief Executive Officer

This is my 30th Annual Report and our 30th Record Year! The past year, the economic climate has been fairly cold across the country. However, at KCCU it was business as usual.

- Our assets increased by 7.5%
- Loans increased by over 4 million dollars
- Our interest margin increased by over 5%
- Our income increased 22% and our expenses went down
- Our reserves increased by 14% or almost a million dollars!

It appears that we are in a great position to increase our returns to you the members. The Board of Directors is recommending, for your approval, the following:

- 20% dividend on ownership shares;
- 20% rebate on personal demand service charges;
- 3% loan interest rebate on personal variable rate loans;
- 3% dividend on Dividend Savings.

In addition, we were presented with the following awards in 2009:

- Large Business of the Year award - presented by The Kingston Chamber of Commerce;
- Achievement in Market Excellence (AIME) award for New Product Launch for Credit Unions under \$200 Million in assets for our new "Like, All Free" student account presented by Marketing Associations for Credit Unions;
- inNOVation Award for best new retail product for the "Like, All Free" student account presented by Central 1 Credit Union; and the
- Innovation on a Shoestring award for the "Like, All Free" student account presented by Central 1 Credit Union.

We also had the following audits/inspections and risk assessments in 2009:

- Level Five Risk Management Audit - audit performed on February 4th and KCCU scored 97%! They examined cash management and controls, Member accounts, Lending practices, Facilities and Equipment, Robbery & Bomb Threat procedures, Human Resources practices and Directors' Role and Responsibilities;

- Credential Asset Management - audit performed on July 13th and 14th. This review is to verify compliance and ensure appropriate sales practices are in place as it relates to the sale of mutual funds and securities. KCCU scored an average of 87% between the three branches;

- Deposit Insurance Corporation of Ontario (DICO) - examination performed August 31st - September 3rd.

DICO rated KCCU's risk low in Credit, Market, Structural, Liquidity, Operational and Strategic risk!

Also, they found KCCU to have effective practices in Governance, Credit, Operational, Market, Structural, Liquidity and Asset Quality!

In addition, DICO performed a FINTRAC Compliance Review examining compliance policies and procedures, compliance regime, compliance training, risk assessment, board reporting and new account information and found everything to be correct;

- Collins Barrow - our external auditors performed their annual audit and found everything to be in good order and your Credit Union to be well managed; and
- Internal Audits - an internal audit was performed in each branch and they too found everything to be in good order.

I know that I have said this before, but we have the best staff ever! KCCU would not be as successful at it is without the dedication and hard work of our staff. Thank you, each and every one of you! Your hard work is very much appreciated by me, the Board and the membership.

Also, I would like to thank the Board of Directors for their dedication, leadership and guidance given over the past year. Last, but certainly not least, I need to thank the membership. Thank you for trusting us to look after your financial needs. Without your continued support, there would be no credit union.

So, all in all, it was another very good year to be a member of KCCU!

Respectfully submitted,

G. Blake Halladay
CEO

"Anything I've ever done that ultimately was worthwhile... initially scared me to death"

– Betty Bender, Motivational Speaker



Report of the Audit Committee

The Audit Committee meets quarterly to review interim financial statements, internal controls and audits. The Audit Committee's role is to review the financial information and reporting processes which management and the Board have established and their associated risks and controls. The Audit Committee maintained open communications between internal and external auditors, directors and management.

During the four times the Audit Committee met during the 2009 fiscal year the following key activities were undertaken;

- A review of the Audit Committee Charter to ensure compliance with the Act and the Regulations;
- A review of the financial statements and the year-end audit results with the external auditors;
- A review of the DICO Audit Examination findings;
- A review of FINTRAC reports;
- A review of the performance of the Auditors and their proposed engagement letter;
- Ensuring all regulatory filing is submitted on time;
- A review of the Credit Union's policies, procedures, and controls for legislative compliance;
- A review of the Business Continuity Plan;
- Monitoring the adherence of Directors, Officers, and employees with the Credit Union's policies and code of conduct;
- A review of any outstanding legal issues;
- A review of accounting issues;
- A review of director and officer expense claims;
- Annual performance review of the CEO.

I am pleased to report that your Credit Union has surpassed its reserve, capital and liquidity requirements and is in a strong and sound financial position. On behalf of my fellow committee members, Norm Meyers and Robert Trentadue, I confirm that the Committee is conducting its activities in accordance with the Act and Regulations and that management has implemented all Committee recommendations. There are no matters which the Committee believes should be reported to the members or which are required to be disclosed pursuant to the Act or the Regulations.

Respectfully submitted,

Larry McCormick
Audit Committee Chair



"I don't wait for moods. You accomplish nothing if you do that. Your mind must know it has to get down to work."

– Pearl S. Buck



Report of the Credit Manager

On behalf of the Credit Union, I am pleased to report a strong year of loan portfolio growth. During exceptionally challenging times, KCCU and its members weathered the storm remarkably well. Your Credit Union found ways to attract new members, retain existing ones and continue to set the benchmark for the provision of borrowing needs. We were flexible where we needed to be, our members were co-operative when they needed to be, and overall we attracted new members and worked with existing ones solidifying our reputation as a place that exceeds expectations by asking the right questions. It wasn't easy and the solutions weren't typical of the past, but we acted in our borrowers' best interests accommodating and guiding them. Higher loan losses were experienced across all financial institutions and KCCU's members were just as much affected by the economic downturn as other workers across the country. The difference was in how we protected each other and worked together wherever possible. There is a loyalty factor that has helped us help each other together over the years and has allowed us to treat borrowers in ways they appreciate - ways that separate us from the banks and recognize the value of each of us. Our losses reflected that our prudent lending practices are well within acceptable industry standards.

The Credit Union is a cooperative financial institution, partnering and creating lifelong and lasting relationships that have allowed us to be sensitive to our member's challenges knowing their loyalties have often given us a competitive advantage. Our business model demonstrates the value of long-term relationships and people helping people.

Loan losses were \$330,547 (\$282,475 after deducting recoveries of \$48,072). At 0.833% these losses are well within industry standards but as expected, above our 10-year average of 0.663%. We anticipate that the rate of bankruptcies will continue at current levels over the coming year as there is a lag effect between economic downturns and

bankruptcies. To ensure our continued success, the Credit Union has funded and built up a \$1/2 Million surplus in our bad debt allowance for just such economic downturns.

Your Credit Union's overall credit portfolio increased by \$4.1 Million, a 6% increase since December 31, 2008; a breakdown of those changes include growth of 4% (\$1.1 Million) in Personal Loans and Lines of Credit and Mortgage growth of 9% at \$3.1 Million. Mortgage demand was strong during 2009, as members refinanced and purchased new homes at historic low rates. Commercial Loans were paid down by \$116,000. The major factors responsible for this year's loan growth were our Dealer Referral Loan Program, employee product knowledge, sales and service excellence training, mortgage solicitation and referrals from satisfied members.

Your Credit Union places a high value on maintaining our financial strength by ensuring the sufficiency of its reserves and bad debt allowance surplus. As of December 31st, 2009 there were 23 delinquent loans over 90 days in arrears representing \$225,727, well below the industry standard of 1% of the loan portfolio.

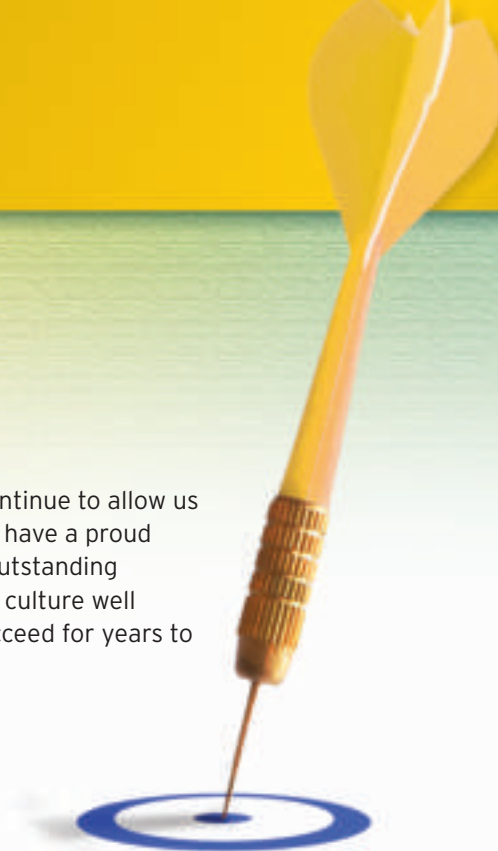
On the deposit and investment side, Term deposits remained at similar levels to 2008. Savings and chequing accounts grew by 11% or \$3.8 Million. Registered Deposit growth also increased by 3.7% or \$1.74 Million. The Mutual funds* portfolio was back up in 2009 by 20% due to market recovery. Such is the cyclical nature of the market. Credential Asset Management Mutual Funds Investment Specialists continue to monitor the portfolios of their investors. Twice a year or more they contact, meet and discuss their portfolios with them to ensure that their investments continue to be aligned with their long term objectives.

KCCU continues to benefit from outstanding marketing as evidenced by the CEO's three marketing awards in this year. Member referrals and

new business from the community continue to allow us to achieve award-winning results. We have a proud tradition of strong financial results, outstanding community service and a progressive culture well postured to ensure our continued succeed for years to come.

Respectfully submitted,

David S. Bull, B.A.
Credit Manager



Consolidated Loans	2009	2008
Variable Loans and Lines of Credit	30,435,725	29,469,550
Commercial	967,848	1,084,096
Mortgages	36,276,935	33,149,946
Fixed Loans	3,884,730	3,751,367
Total Loan Applications Received	2541	2624
Total Loan Applications Declined	1102	969

Deposits		
Term Deposits	27,642,970	27,431,895
Savings/Chequing	38,298,691	34,060,611
Registered Deposits	20,328,863	18,921,394
Mutual Funds*	11,722,017	9,773,479

Other		
Assets	96,229,629	89,771,973
Member Ownership (Equity Shares)	1,413,617	1,268,550
Members	12,074	11,846

Approved Loans				
Fixed and Variable Loans	978	14,817,872	973	14,719,688
Lines of Credit	389	4,379,450	599	6,159,196
Mortgages	72	10,901,482	83	11,778,397
Total Approved Loans	1,439	30,098,014	1,655	32,657,281

*Mutual funds are offered through Credential Asset Management Inc.

International Co-operative Alliance Statement on the Co-operative Identity

Definition

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise.

Values

Co-operatives are based on the values of self-help, self-responsibility, democracy, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

Principles

The co-operative principles are guidelines by which co-operatives put their values into practice.

1st PRINCIPLE:

Voluntary and Open Membership

Co-operatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.



2nd PRINCIPLE:

Democratic Member Control

Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives, members have equal voting rights (one member, one vote) and co-operatives at other levels are also organized in a democratic manner.

3rd PRINCIPLE:

Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible, benefitting members in proportion to their transactions with the co-operative, and supporting other activities approved by the membership.

4th PRINCIPLE:

Autonomy and Independence

Co-operatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of the co-operation.

5th PRINCIPLE:

Co-operation Among Co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

6th PRINCIPLE:

Concern for Community

Co-operatives work for the sustainable development of their communities through policies approved by their members.

In Memoriam 2009

Andrews, William
Baker, Thomas
Barratt, Hildegard
Barrett, Christopher
Blenkhorn, Michael William
Campanaro, Vera
Cantalini, Shirley
Collett, Jewel
Dawson, Alan
Deano, Herbert
Devlin, Gail
Donohue, Patrick
Edwards, Fred
Eggenberger, Douglas
Emeneau, Madelyn
Ethridge, Gladys
Free, Ron
Gibson, Robert
Gillis, Michael
Gilpin, Robert
Gregory, Frederick
Grice, Clint Eugene
Harding, Josephine
Harper, Beverly
Hawkins, Alice

Hildebrand, Douglas
Jackson, Carson
James, Ruth
Jamieson, William
Kelly, Joseph
Kelly, Margaret
Kliem, Vera
Lloyd, Elizabeth
Macallan, Randy
Macmillan, Kerr
Martini, Adrian
McCreight, Michael
McPhail, Aurina
Morehouse, Joyce
Nordin, Maijken
Nugent, Gwynneth
Parent, Shirley
Peterson, Allan
Procup, Paul
Samuel, Ian

Schultz, Michael
Simpkin, Eleanor
Sloan, Howard
Smith, Joseph
Strutton, Eileen
Tugwood, Wiliam
Walker, Carla
Walker, Webster
Welsh, Jack
White, Keith
Workman, Denise
Wright, Allen James

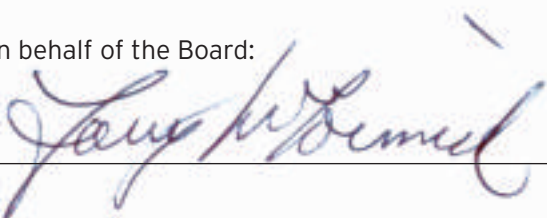



Balance Sheet



December 31	2009	2008
Assets		
Cash & short term deposits	\$7,840,797	\$5,035,500
Investments	16,267,771	16,307,393
Loans to members	70,859,996	66,794,169
Property, plant and equipment	650,601	707,077
Other asset	536,836	561,577
Future income tax asset	73,628	113,443
	\$96,229,629	\$89,519,159
Liabilities and Reserves and Undivided Earnings		
Liabilities		
Members' deposits	\$85,828,642	\$80,405,298
Other liabilities	1,441,283	1,350,506
Dividends and interest rebate payable	468,512	254,570
Members' shares	1,413,617	1,268,550
	89,152,054	83,278,924
Reserves and undivided earnings	7,077,575	6,240,235
	\$96,229,629	\$89,519,159

On behalf of the Board:


 _____ Director


 _____ Director





*We celebrate our success, as together we have built more than just a credit union.
We have built a foundation of cooperation and friendship.*