



**2010**  
**Annual Report**



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# Minutes of the Annual General Meeting

7:00 p.m. April 15, 2010

Royal Canadian Legion Branch 76, Sudbury, ON

**Mission:** *Northridge Savings & Credit Union is a community based financial cooperative providing cost-effective financial products and services to people and businesses in Greater Sudbury in a friendly, professional, and personal manner.*

**Vision:** *Northridge Savings & Credit Union will be the first choice for financial services and will be recognized as a distinguished partner with our members and our community.*

**Values:**      **Caring**      **Organized**      **Open minded**      **Professional**      **Ethical**  
**Responsible**      **Accountable**      **Teamwork**      **Integrity**      **Visionary**  
**Excellence**

Regrets:      E.R. Unger, Director

## Registration

The meeting was attended by 44 members and 7 guests:

- ❖ Don Garrioch, Richard Spadafora, auditor - KPMG
- ❖ Steve Horton, legal counsel - Weaver-Simmons
- ❖ Sylvio Pominville (CUMIS representative)
- ❖ George Joyce, Mimi Wiseman (CEO) - Sudbury Credit Union
- ❖ Rees Thompson (personal guest)

## Call to Order

President G. Labelle called the meeting to order at 7:09 p.m.

## Chair's Opening Remarks

A warm welcome was extended to all in attendance, with special mention of our guests.

## Establishment of Quorum

A Quorum was established.

## Minutes of Last Meeting (April 8, 2009)

Motion: That we dispense with the reading of the minutes.

Moved: L. Racette      Seconded: R. Abreu

**CARRIED**

Motion: That the minutes of the annual meeting of April 8, 2009 be accepted as presented.

Moved: J. Lamirande      Seconded: J. Lindsay

**CARRIED**

## Directors' Report

President G. Labelle began by dispensing with the reading of his report, followed by an introduction of Board members and a thank-you to them for their service to the Credit Union. Staff was recognized for their importance as front-line contact for our members. Their participation in community charity events, along with their loyalty to Northridge as demonstrated by our low turn-over rate, is appreciated.

Motion: That the Director's report be received as presented.

Moved: V. LaFlamme    Seconded: R. Abreu

**CARRIED**

## Auditors' Report

Mr. Richard Spadafora of KPMG read the auditors' report. The unqualified report reflected the fact that Northridge Savings and Credit Union had enjoyed another good year.

Motion: That the Auditors' Report be accepted as presented.

Moved: P. McNally    Seconded: L. La Croix

**CARRIED**

## General Manager's (CEO) Report

Mr. Erik Jokinen presented highlights of his written report.

- Exceptional growth in assets of over 10%, finishing the year at \$55.9 million.
- Loans grew 11.5% overall, to \$46 million; Deposits grew 9.2% to \$52.4 million
- Majority of revenues is from loan interest
- Investment income is intentionally limited and sufficient to please regulators
- Personnel and Cost of Funds are the two largest expenses
- After tax revenues have been exceptional every year.
- Personnel restructuring has been done in accordance with new regulations. The General Manager's (GM) position was re-named to Chief Executive Officer (CEO), T. McLaughlin has been promoted to Chief Financial Officer (CFO), and D. Lepage was promoted to Branch Manager. Other internal changes resulted in the hiring of one new employee
- CHIP member cards, having enhanced security, will be distributed to at least 65% of our members this year
- The DICO (Deposit Insurance Corporation of Ontario) audit resulted in an excellent rating and further reduced insurance costs

## Review of Financial Statements

Mr. Erik Jokinen summarized and explained, both graphically and verbally, the financial statements included in the Annual Report.

Motion: That the CEO's and Financial Reports be received as presented.

Moved: L. Racette    Seconded: A. Frattini

**CARRIED**

## Audit Committee Report

Mr. E. R. Unger submitted the Audit Committee Report regarding internal policies and procedures and the external auditors' findings. P. McNally verbally highlighted details of the Audit Report.

Motion: That the Audit Committee's Report be received as presented.

Moved: P. McNally    Seconded: L. Racette

**CARRIED**

## Loan Report

Mr. Erik Jokinen noted that 463 loans for 2009 totalled \$18,007,813. He noted that many of our loans are automobile based.

A question from the floor about the promotion of business loans was responded to by Mr. Jokinen, clarifying that our maximum loan amount is only suitable for small businesses and we are attracting those clients in our geographic areas.

Motion: That the Loan Report be received as presented.

Moved: L. La Croix    Seconded: J. Lamirande

**CARRIED**

## Marketing Report

Mr. David Lepage presented the marketing report, detailing activities and funds raised for specific charities throughout the year. Special mention was made of our sponsoring the Sudbury Blueberry Festival this year (2010). US accounts, TFS accounts, mobile banking and Green Banking are being promoted. The recently-created Web promo was viewed, which will be hosted at my!sudbury.ca

Questions from the floor covered the following:

Q: Are there any incentives to present members for bringing in new members?

A: There is nothing in place at this time, although we always welcome new members.

Q: How can the membership help the Credit Union achieve 7.5% financial reserves?

A: There is really nothing members can do as the growth in reserves builds over time and is affected by our fluctuating markets. We expect to achieve this goal in the next 2-3 years.

Q: Are the Blueberry Festival promos (buttons, etc.) Canadian made?

A: Yes

Q: Is the CFO position restricted by the new term restrictions as mentioned in the by-laws?

A: No. Staff positions are not affected by the changes required in the new act for term limits on Directors.

Q: Will the CFO position be advertised?

A: No. The position has been filled internally.

Q: What is Camp Quality?

A: D. Lepage responded it is a camp for children with cancer, which Northridge supports through our annual June BBQ and December bake sale.

Motion: That the Marketing Report be accepted as presented.

Moved: A. Frattini    Seconded: L. Racette

**CARRIED**

## Privacy and Compliance Report

Mr. David Lepage reported that all Privacy and Compliance requirements are up to date. Required training has been completed.

Motion: That the Privacy and Compliance Report be accepted as presented.

Motion: J. Lamirande    Seconded: L. La Croix

**CARRIED**

## Appointment of Auditors

President G. Labelle called for a motion to re-appoint KPMG as our auditors for 2010.

Motion: That KPMG be retained as auditors for Northridge Savings and Credit Union in 2010.

Moved: P. McNally    Seconded: J. Neely

**CARRIED**

## General By-Laws

Motion: That the existing General By-law be repealed and replaced with the new General By-law as approved by the Board of Directors on March 3, 2010.

Moved: V. LaFlamme    Seconded: L. Racette

**CARRIED**

Questions from the floor were addressed by E. Jokinen and consisted of the following:

Q: What are the major changes?

A: Limits on the terms for Directors, our Bond of Association now includes all residents of Ontario, limit on the term for the Board Chair

Q: Why would a member choose to own \$1,000 in shares?

A: To assist with reserve funds.

Q: What is the starting date for limited terms of office for Directors? Is the restriction retroactive?

A: Today begins the count for serving terms on the Board. Therefore, all Directors elected today may serve a maximum of 5 three-year terms (15 years) if re-elected at end of each term.

## Election of Members to the Board

An election was called to fill the seats on the Board for those members whose terms have expired.

- ✓ Bette Choquette was nominated by A. Frattini, seconded by J. Neely
- ✓ Lisa La Croix was nominated by P. McNally, seconded by V. LaFlamme
- ✓ Leo Racette was nominated by R. Abreu, seconded by E. Lovin
- ✓ No nominations were offered from the floor.

Nominations for the Board of Directors were closed. Nominees were acclaimed.

## Other Business

Mr. E. Jokinen presented long service awards to employees:

- 🏆 10-year pin presented to Dave Lepage, Kim Goegan, Nadine Sauter
- 🏆 15-year pin presented to Carol Tyreman, June Ward

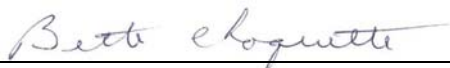
Draws were made for various prizes from names of members in attendance. Prizes included a Blueberry Cookbook (donated by John Lindsay), Boston Pizza vouchers (donated by Sylvio Pominville), solar lights and lottery tickets. Winners were: Francine Houle, Hank Hanneberry, Mimi Wiseman, Mary Ellen Lloyd, Frieda Heard, George Joyce, Richard Spadafora, MaryAnne Meunier, Raymonde Lafortune, Vally LaFlamme, Carol Tyreman, Erik Lovin, Ron and Olivia Abreu.

## Adjournment

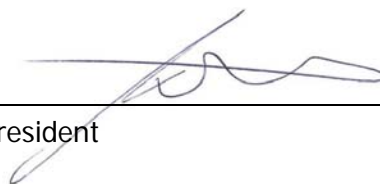
Motion: That the meeting be adjourned at 8:10 p.m.

Moved: L. Racette

A social and refreshments followed the meeting.



Corporate Secretary



President

## Report of the Board of Directors

Your board of directors at Northridge would like to highlight a few of the significant achievements of the past year. Contained within the pages of this report are the complete stories and figures that represent ideas, financial results and changes in various categories that comprise your credit union. One significant benchmark has been achieved with record year-end assets of almost \$61.4 million.

Within the complex regulatory environment where credit unions operate, Northridge has expanded its boundaries to allow for membership from any location within Ontario. The board of directors has set limits for the terms of office for its regular directors and the executive officers. For example, a director may only serve five consecutive three-year terms and the chair of the board may not serve more than four consecutive one-year terms. This will enable the makeup of the board to stay fresh and relevant to the needs of the membership.

Your board of directors continues to apply its skills through various committees which operate in tandem with the board and report to it on a regular basis. Standing committees include audit, marketing and human resources. From time to time, ad-hoc committees are struck, such as the current governance and green committees. As a group we are also committed to maintain the highest standard of competence by participating in a series of director education training courses and by attending regional meetings. At least once a year management and board invest one full day together in a dedicated planning session.

One of our number who has served admirably as board chair has decided to enter the political arena. Gerry Labelle is running for election in the October 2011 provincial race. We wish him well as he applies his extraordinary talents in service to the riding of Sudbury.

Our corporate secretary, Bette Choquette, has offered to work with the Canadian Cooperative Association to assist in bringing the credit union advantage to the Canadian Arctic. This will showcase her considerable organizational skills and passion for the credit union system.

As our CEO mentions in his report, we as board members, in close conjunction with management and staff, are working to provide the best possible experience for you - the current and future members of what we believe to be the best financial institution in this part of Ontario.

On behalf of the board,



Patrick McNally, President  
Board of Directors

The credit union completed its Chip card implementation prior to year-end.





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## Auditors' Report to the Members

**W**e have audited the accompanying financial statements of **Northridge Savings & Credit Union Limited** ("the Credit Union"), which comprise the balance sheet as at December 31, 2010, the statements of earnings, changes in members' equity and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Managements' Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Credit Union's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2010 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

### *Other Matter*

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in the Schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Chartered Accountants, Licensed Public Accountants

Sudbury, Canada

March 2, 2011



KPMG LLP, a Canadian owned limited liability partnership established under the laws of Ontario, is the Canadian member firm of KPMG International, a Swiss nonoperating association.

## Report of the Chief Executive Officer

We are pleased to report that although 2010 was a tough one financially, considering the world economy and the local labour unrest, your credit union enjoyed a very successful year. This is borne out by the following statistics. Overall assets increased 9.8% with loans climbing 12.1% and deposits keeping pace at 9.5%. These are exceptional growth numbers considering that inflation was only running at approximately two per cent. Net earnings also came in at an all-time record; \$463,121. This is an improvement of 27.3% over the previous year. With the implementation of International Financial Reporting Standards (IFRS), some aspects of our statements have changed. We now have completed the replacement of our primary basis of accounting. However, readers will notice little change. The provision for impaired loans for 2010 dropped to half the costs of the previous year. This is a result of fewer defaults and suggests that the local economy has partially rebounded from its doldrums. We have also increased our advertising/marketing spending to attract more new members. We have enjoyed an excellent business relationship with 50 Carleton who have revamped our marketing materials and media advertising. In addition, we have refreshed our web site to make it user friendly with more pertinent information about the credit union services and products. More detailed information can be found in the marketing message in this report.

The credit union completed its Chip card implementation prior to year-end. Our deposit-taking ATMs are now fully compliant with Interac regulations and our members have all been issued new debit cards with PINs. We were able to upgrade each ATM without having to replace any which would have required a major capital expenditure. My thanks are extended to all staff and members who made the transition to Chip so successful. Northridge has also upgraded its IVR (telephone banking). We have removed the stand alone equipment at the office and replaced it with off-site toll free service that is administered by MemberDirect. This will prove to be more reliable and convenient for members.

As with any year, your credit union is subjected to various internal and external audits. The Bulldog Digital Security audit performed on the credit union's electronic data and storage produced another passing grade. There was only one minor cautionary note. We also had Atran Control Solutions do a risk and internal controls maturity assessment on the credit union's policies and procedures. We appreciate these audits as they provide a high level of comfort knowing that our internal and external systems are functioning as they should. Our members' security is paramount to Northridge.

We are currently working with local organizations in developing co-operative initiatives in the Sudbury area. These are currently in the preliminary stages but we hope to make a major announcement later this year. The challenges for the credit union are many and we are well positioned to meet them head on. We will continue with our prudent approach to member growth and services and maintain a healthy balance with loans and deposits. Northridge continues to achieve excellent financial results, which speaks well of the conscientious efforts from all staff and loyalty of members. Management and the board of directors have a cohesive working relationship and I take this opportunity to thank them for their direction and dedicated efforts in the past year. We will strive to do our very best for our members and staff. On behalf of Northridge Savings, I thank you all.

Respectfully submitted,



Erik K. Jokinen  
Chief Executive Officer

Northridge Savings & Credit Union Limited  
BALANCE SHEET

December 31, 2010, with comparative figures for 2009

	2010	2009
<b>Assets</b>		
Cash	\$ 3,352,253	\$ 3,758,548
Loans to members (note 3)	51,592,130	46,011,729
Other assets	195,294	153,273
Investments & marketable securities (note 4)	4,761,940	4,418,171
Property, plant and equipment (note 5)	1,409,957	1,485,100
Future Income taxes (note 10)	68,000	61,000
	<b>\$ 61,379,574</b>	<b>\$ 55,887,821</b>
<b>Liabilities and Members' Equity</b>		
Members' deposit accounts (note 6)	\$ 57,347,041	\$ 52,381,683
Liabilities to non-members:		
Accounts payable & accrued liabilities	276,249	229,171
Income taxes payable	16,556	16,826
	292,805	245,997
Liabilities qualifying for regulatory capital (note 7)	207,640	191,174
Members' equity	3,532,088	3,068,967
Commitments (note 11)		
Contingencies (note 14)		
	<b>\$ 61,379,574</b>	<b>\$ 55,887,821</b>

*See accompanying notes to financial statements.*

On behalf of the Board:



Director



Director

## Northridge Savings & Credit Union Limited

### STATEMENT OF EARNINGS

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
<b>Revenue:</b>		
Interest Income		
- non-mortgage loans	\$ 952,133	\$ 781,984
- mortgage loans	1,936,053	1,958,009
- investment income	93,182	144,366
	<u>2,981,368</u>	<u>2,884,359</u>
<b>Cost of financing:</b>		
Interest Expense		
- registered retirement savings plan	111,546	161,503
- term deposits	452,869	646,175
- deposits	87,869	65,201
- registered retirement income funds	38,215	49,706
	<u>690,499</u>	<u>922,585</u>
Net interest income	2,290,869	1,961,774
Provision for impaired loans (note 3c)	63,106	124,725
Net interest income after provision for impaired loans	2,227,763	1,837,049
Other revenue	492,586	467,232
	<u>2,720,349</u>	<u>2,304,281</u>
<b>Non-Interest Expenses: (Schedule)</b>		
Salaries and benefits	993,814	895,027
General	499,670	381,229
Computer, office and other equipment	241,628	223,672
Occupancy	211,255	211,159
Advertising and communications	127,661	89,656
Member security	93,200	76,150
	<u>2,167,228</u>	<u>1,876,893</u>
Earnings before income taxes	553,121	427,388
<b>Income taxes (note 10)</b>		
Current income taxes	97,000	80,675
Future income taxes (recovered)	(7,000)	(17,000)
	<u>90,000</u>	<u>63,675</u>
<b>Net earnings</b>	<b>\$ 463,121</b>	<b>\$ 363,713</b>

*See accompanying notes to financial statements.*

Northridge Savings & Credit Union Limited  
STATEMENT OF CHANGES IN MEMBERS' EQUITY

Year ended December 31, 2010, with comparative figures for 2009

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	2010	2009
Balance, beginning of year	\$ 3,068,967	\$ 2,705,254
Net earnings	463,121	363,713
<b>Balance, end of year</b>	<b>\$ 3,532,088</b>	<b>\$ 3,068,967</b>

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*See accompanying notes to financial statements.*

Northridge Savings & Credit Union Limited

STATEMENT OF CASH FLOWS

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Cash provided by (used in):		
Operations:		
Net earnings	\$ 463,121	\$ 363,713
Adjustments for:		
Amortization of property & equipment	140,368	149,670
Provision for impaired loans	63,106	124,725
	<u>666,595</u>	<u>638,108</u>
Change in non-cash working capital		
Other assets	(42,021)	(74,838)
Future income taxes	(7,000)	(17,000)
Accounts payable & accrued liabilities	47,078	44,725
Income taxes	(270)	25,728
	<u>664,382</u>	<u>616,723</u>
Financing activities:		
Net change in members' deposit accounts	4,965,358	4,393,635
Net change in membership shares	16,466	3,536
	<u>4,981,824</u>	<u>4,397,171</u>
Investing activities:		
Net change in loans to members	(5,643,507)	(4,867,284)
Purchase of property, plant and equipment	(65,225)	(36,109)
Increase in investments	(343,769)	(352,162)
	<u>(6,052,501)</u>	<u>(5,255,555)</u>
<b>Increase (decrease) in cash position</b>	<b>(406,295)</b>	<b>(241,661)</b>
Cash, beginning of year	3,758,548	4,000,209
<b>Cash, end of year</b>	<b>\$ 3,352,253</b>	<b>\$ 3,758,548</b>

Supplemental cash flow information:

Income taxes paid - \$97,270 (2009 - \$54,947)

Interest paid - \$713,602 (2009 - \$1,018,522)

See accompanying notes to financial statements.

## Northridge Savings & Credit Union Limited

### NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2010

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Northridge Savings & Credit Union Limited (the "Credit Union") was incorporated on June 1, 1984 and operates in compliance with the Credit Union and Caisses Populaires Act of Ontario (the "Act"). The Credit Union is a member of Central 1 Credit Union ("Central 1") and the Deposit Insurance Corporation of Ontario ("DICO"). The Credit Union provides financial services and products to its members through two branches in the Greater Sudbury area.

#### **1. CHANGE IN ACCOUNTING POLICIES**

Amendments to Section 1506 "Accounting Changes" excludes from its scope changes in accounting policies upon the complete replacement of an entity's primary basis of accounting. As a result, the Credit Union is no longer required to disclose the progress of its implementation of International Financial Reporting Standards ("IFRS") in the notes to the Financial Statements.

#### **2. SIGNIFICANT ACCOUNTING POLICIES:**

The financial statements of the Credit Union have been prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies adopted by the Credit Union are as follows:

(a) Loans to members:

Loans to members are designated as loans and receivable and are initially measured at fair value and are subsequently remeasured at their amortized cost (net of an allowance for loan losses) using the effective interest rate method. Loans considered uncollectible are written off.

All transaction fees and expenses are recorded in other income and expense at the transaction date.

(b) Allowance for impaired loans:

The Credit Union maintains allowances for impaired loans which reduce the carrying value of loans identified as impaired to their estimated realizable amounts. Loans classified as impaired include loans for which interest or principal payments are ninety days past due and those considered to be impaired by management. Estimated realizable amounts are determined by discounting the expected future cash flows at the effective interest rate inherent in the loans, by estimating the fair value of security underlying the loans and deducting costs of realization, or by estimating market prices for the loans.

Specific allowances are established for loans identified as impaired. These allowances are supplemented by general allowances for losses based on payment arrears, known risk in the portfolio, historical loan loss experience and current economic conditions and trends. The allowance for impaired loans is in accordance with the guidelines established by DICO.

**NOTES TO FINANCIAL STATEMENTS (continued)**

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(c) Financial instruments - recognition and measurement:

Financial assets and liabilities are recognized on the balance sheet of the Credit Union at the time that the Credit Union becomes a party to the contractual provision of the instrument. The Credit Union recognizes financial instruments at the settlement date.

All financial assets and liabilities are to be measured at fair value upon initial recognition, except for certain related party transactions. Subsequent measurement is dependent upon the financial instrument's classification

There have been no reclassifications or derecognition of financial assets during the year.

(d) Effective interest method:

Interest income and expense are recognized in the Statement of Earnings using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to its fair value at inception. The effective interest rate is established on initial recognition of the financial asset or liability and is not revised subsequently.

(e) Cash resources:

Cash resources comprise balances with less than 100 days maturity from the date of acquisition, including cash on hand, current accounts, short term deposits with other financial institutions and cheques and other items in transit. Cash resources have been designated as Held for Trading, except for short term deposits with less than 100 days maturity from the date of acquisition which are designated as Loans and Receivables, and are measured at fair value with all changes in fair value being recognized in interest income. Given their short term nature, the book value of cash resources, excluding short term deposits, is a reasonable approximation of fair value. Interest earned on these instruments is included in interest income and transaction costs are expensed as incurred.

The calculation of the effective interest rate includes transaction costs and discounts or premiums that are an integral part of the effective interest rate.

(f) Financial instruments - non-derivative financial instruments:

Non-derivative financial instruments comprise of cash, investments and marketable securities, loans to members, members' deposit accounts and accounts payable and accrued liabilities.

Assets - Loans and receivables:

Non-derivative financial assets that have fixed or determinable payments are classified as loans and receivables. They are carried at amortized cost, using the effective interest rate method.

**NOTES TO FINANCIAL STATEMENTS (continued)**

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Assets - Held-for-Trading:

Non-derivative financial assets which the Credit Union has acquired principally for the purpose of selling or repurchasing in the near term, or are part of a portfolio of identified investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking, or are designated at fair value using the fair value option are classified as held-for-trading. These investments are recorded at fair value with changes taken directly to the statement of earnings.

Assets - Available for Sale:

Non-derivative financial assets that the Credit Union may not hold until maturity are classified as available for sale and reported at estimated fair value. Unrealized gains and losses, after applicable taxes, are reported in Other Comprehensive Income. Non-marketable equity investments, which include investments in companies not traded on an active market and are part of the credit union system. These assets are accounted for using the amortized cost method.

The Credit Union reduces the carrying value when any declines in the value of investments are considered other than temporary and records the charge to earnings.

The Credit Union accounts for the purchase and sale of securities using settlement date accounting.

Assets - Held to Maturity:

Non-derivative financial assets which the Credit Union both positively intends and has the ability to hold to maturity are classified as investments held-to-maturity and are carried at amortized cost. Intent and ability to hold are not considered to be satisfied if an investment is available to be sold in response to changes in interest rates, prepayment rates or other reasons as part of the overall asset/liability management strategy.

Liabilities - Other Liabilities

The Credit Union has designated all financial liabilities as Other Liabilities. Financial liabilities designated as Other Liabilities are recorded at amortized cost. Interest incurred on these liabilities is included in interest expense.

(g) Comprehensive earnings:

In the event that the Credit Union has any financial instruments that would impact other comprehensive earnings, a statement of comprehensive earnings is included in the financial statements displaying the effects of the current period net income plus the impact on other comprehensive earnings resulting from these financial instruments.

(h) Other assets:

Other assets include prepaid expenses and accounts receivable.

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**NOTES TO FINANCIAL STATEMENTS (continued)**


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## (i) Property, plant and equipment:

Property, plant and equipment are stated at cost less accumulated amortization. Amortization is provided on the straight-line basis over the expected useful life of the assets, as follows:

Buildings	40 to 50 years
Building renovations	10 to 15 years
Building additions	20 to 25 years
Parking lot	10 years
Furniture and equipment	3 to 5 years

## (j) Income taxes:

The Credit Union uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantially enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that included the date of enactment or substantial enactment.

## (k) Share capital:

The membership shares are classified on the balance sheet as a liability as the shares are redeemable at the options of the member. Accordingly, any dividends authorized on these shares are recorded as interest expense.

## (l) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the periods specified. Significant estimates are made with regard to the potential loan loss on impaired loans and the valuation of property, plant and equipment. Actual results could differ from those estimates. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the year in which they become known.

## (m) Equity swap agreements:

The Credit Union offers members term deposits whose rate is derived from a market index or basket of stocks. These Index-Linked term deposits offer principal guarantee and a variable rate of return contingent on the performance of equity markets.

**NOTES TO FINANCIAL STATEMENTS (continued)**

## (m) Equity swap agreements: (continued)

The Credit Union enters into equity swap agreements to hedge the risk of interest payments due at the maturity date of index-linked term deposits. The equity swaps involve the Credit Union paying Central 1 a fixed rate of interest while Central 1 pays the return owed to members on the index-linked term deposits. The index-linked products are recorded at fair value with all changes in fair value recorded in income. Interest expense related to these products is expensed as incurred. The fair market value of the related option value and liability to members are included in other assets and payable and accrued liabilities.

## (n) Foreign currency translation:

Assets and liabilities denominated in foreign currencies, primarily US dollars, are translated into Canadian dollars at rates prevailing at the year end date. Income and expenses are translated at the exchange rates in effect on the date of the transactions. Exchange gains and losses arising on translation of monetary items are included in earnings for the year.

**3. LOANS TO MEMBERS:**

## (a) Net carrying value of loans:

An analysis of the loan portfolio is as follows:

	2010			2009		
	Balance Outstanding	Allowance	Net	Balance Outstanding	Allowance	Net
Residential mortgages	\$ 36,366,179	-	36,366,179	34,209,236	-	34,209,236
Personal loans	12,586,281	124,000	12,462,281	9,653,260	126,367	9,526,893
Commercial						
- mortgage loans	2,473,905	-	2,473,905	1,983,983	-	1,983,983
- non-mortgage loans	323,765	34,000	289,765	337,982	46,365	291,617
	\$ 51,750,130	158,000	51,592,130	46,184,461	172,732	46,011,729

## (b) Allowance for impaired loans:

The following table analyzes impaired loans and the related allowance for impaired loans:

	2010				2009	
	No. of Loans	Principal Value	Allowance	Net	No. of Loans	Net
Personal loans	20	\$ 180,986	124,000	56,986	17	111,106
Commercial						
- mortgage loans	-	-	-	-	1	237,563

**NOTES TO FINANCIAL STATEMENTS (continued)**

(c) Continuity of allowance for impaired loans:

The following table analyzes changes in the allowance for impaired loans:

	2010	2009
Balance, beginning of year	\$ 172,732	78,260
Provision for impaired loans	63,106	124,725
Loans written-off	(79,309)	(35,031)
Recoveries of loans written-off	1,471	4,778
<b>Balance, end of year</b>	<b>\$ 158,000</b>	<b>172,732</b>

(d) Maturity dates of loans:

The following table analyzes the Credit Union's loan portfolio by maturity date:

	Variable rates	Fixed rates		2010	2009
		Less than 1 year	1-35 years	Total	Total
Total loans	\$ 13,202,992	6,340,786	32,110,904	51,654,682	46,086,467
Average effective yield	8.17%	4.78%	5.95%	6.37%	6.11%

**4. INVESTMENTS:**

	2010			2009		
	Fair Value	Cost	Carrying value	Fair value	Cost	Carrying Value
Available for sale:						
Shares - Central 1 / Credit Union Central of Ontario	\$ 351,320	\$ 371,921	\$ 351,320	\$ 347,699	\$ 366,999	\$ 347,699
2176100 Ontario Ltd.	232,557	160,939	160,939	203,214	171,835	171,835
Other	13,715	13,715	13,715	13,715	13,715	13,715
	597,592	546,575	525,974	564,628	552,549	533,249
Loans and receivables:						
Liquidity reserve deposit	4,236,944	4,236,152	4,235,966	3,885,069	3,884,906	3,884,922
<b>Total investments</b>	<b>\$ 4,834,536</b>	<b>\$ 4,782,727</b>	<b>\$ 4,761,940</b>	<b>\$ 4,449,697</b>	<b>\$ 4,437,455</b>	<b>\$ 4,418,171</b>

**Central 1 Liquidity reserve deposit**

As a condition of membership in Central 1, the Credit Union is required to maintain a liquidity reserve deposit at Central 1 equal to 7.00% of total assets adjusted annually at December 31<sup>st</sup>. The deposits bear interest at varying rates, dependent upon the term of the investment.

**NOTES TO FINANCIAL STATEMENTS (continued)****Investment in 2176100 Ontario Ltd.**

As a result of the merger between Credit Union Central of Ontario Limited ("CUCO") and Credit Union Central of British Columbia ("CUCBC") to form Central 1 in 2008, member credit unions were required to invest in a limited partnership ("ABCP LP") in order to acquire third-party asset-backed commercial paper ("ABCP"). Member of CUCO were required to purchase units in ABCP LP based on their proportionate asset size. The Credit Union was required to purchase 306,418 units in the ABCP LP.

The fair value of these units is directly related to the ABCP investments held by the ABCP LP. As there is no active market for the underlying investments, this investment is being carried at cost. During the year, the Credit Union received \$10,897 (2009 - \$47,822) in capital distributions from ABCP LP that were recorded as a reduction in the original investment.

During 2008, there was an other-than-temporary deterioration in the quality of the underlying ABCP assets in the investment. Accordingly, a \$63,800 impairment charge was recorded against the carrying value of the investment. The impairment charge was calculated as the carrying amount of the ABCP investment less its fair value as at December 31, 2008. Fair value of the underlying ABCP in the investment is determined by ABCP LP's independent valuator, Edenbrook Hill Capital Ltd. No further impairment was recorded during 2010.

The ABCP LP is governed by a Board of Directors that was elected by Ontario member credit unions and each limited partner records its proportionate share of net income or loss in the ABCP LP as determined by Canadian generally accepted accounting principles.

**Shares in Credit Union Central of Ontario and Central 1**

As a member of Central 1, the Credit Union is required to maintain an investment in Central 1 shares equal to its proportionate share of the level of capital required by Central 1. The Credit Union's share of Central 1 capital requirements is based on asset size relative to other Class "A" members. Central 1 rebalances the investment annually.

When CUCO and CUCBC merged to form Central 1, CUCO sold substantially all of its asset to Central 1 in exchange for Class A and Class E shares. The final number of shares is subject to future price adjustments. During 2010, The Credit Union was required to purchase 4,922 Central 1 Class A shares and received \$16,658 in dividends from the investment. Central 1 also distributed 56,900 Class E shares in exchange for the balance of CUCO shares.

The following table summarizes shares invested in CUCO/Central 1 as at December 31, 2010:

	2010	2009
Central 1 Class "A" Shares	\$ 131,720	\$ 126,798
Central 1 Class "E" Shares	219,600	162,700
CUCO Shares	-	58,201
Balance, end of year	\$ 351,320	347,699

The shares have been designated as Available for Sale, but carried at cost, less a write-down of \$20,601 on the CUCO shares, as no liquid market exists for these shares.

**NOTES TO FINANCIAL STATEMENTS (continued)****5. PROPERTY, PLANT AND EQUIPMENT:**

	2010		2009	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Land	\$ 362,413	\$ -	\$ 362,413	\$ -
Buildings	1,753,192	805,216	1,746,977	714,340
Parking lot	44,865	43,854	42,297	40,946
Furniture and equipment	509,485	410,928	478,607	389,908
	2,669,955	1,259,998	2,630,294	1,145,194
Less accumulated amortization	1,259,998		1,145,194	
	\$ 1,409,957		\$ 1,485,100	

**6. MEMBERS' DEPOSITS ACCOUNTS:**

	2010	2009
Deposits	\$ 25,984,750	\$ 23,984,379
Term deposits	21,965,747	19,878,480
Registered retirement savings plan	6,360,669	6,004,345
Registered retirement income funds	1,781,072	1,820,875
Tax free savings accounts	986,198	401,893
Accrued interest payable	268,605	291,711
	\$ 57,347,041	\$ 52,381,683

The composite interest rate in force at December 31, 2010 ranged from 0% to 1.0% on demand deposits.

Term deposits are accepted at guaranteed interest rates, payable at maturity and annually on certificates of 30 days to five year terms.

The following table analyzes the Credit Union's term deposits payable by maturity date:

	Variable rates	Fixed rates		2010	2009
		Less than 1 year	1-5 years	Total	Total
Total term deposits	-	\$ 15,634,842	6,330,904	21,965,746	19,878,480
Average effective interest rate	-	1.73%	2.15%	1.85%	2.33%

**NOTES TO FINANCIAL STATEMENTS (continued)**

The following table provides an analysis of the Credit Union's RRSP and other registered plans payable by maturity date:

	Variable rates	Fixed rates		2010 Total	2009 Total
		Less than 1 year	1-5 years		
RRSP and other registered plans	\$ 532,474	5,862,165	2,733,300	9,127,939	8,227,113
Average effective interest rate	0.50%	1.81%	1.74%	1.71%	2.39%

**7. LIABILITIES QUALIFYING FOR REGULATORY CAPITAL:**

Share capital:

	2010	2009
Membership shares	\$ 207,640	\$ 191,174

The Credit Union is authorized to issue an unlimited number of membership shares at an issue price of \$5 each. Members must hold shares as a requirement of membership. At December 31, 2010, there were 41,528 shares issued and outstanding (2009 - 38,235). The shares are redeemable at the option of the member.

At December 31, 2010, the aggregate membership was 3,906 (2009 - 3,718).

**8. REGULATORY REPORTING:**

**Capital Management**

The Credit Union maintains policies and procedures relative to capital management so as to ensure that capital levels are sufficient to cover risks inherent in the business.

The Credit Union's objectives when managing capital are:

- To ensure that the quantity, quality and composition of capital needed reflects the inherent risks of the entity and to support the current and planned operations and portfolio growth.
- To provide a safety net for the variety of risks to which the entity is exposed in the conduct of its business and to overcome the losses from unexpected difficulties either in earnings or in asset values.
- To provide a basis for confidence among members, depositors, creditors and Regulatory agencies.
- To form a solid foundation for business expansion and ongoing reinvestment in business capabilities, including technology and process automation and enhancement.
- To establish a capital management policy for the entity appropriate for current legal and economic conditions, including compliance with regulatory requirements and with DICO's Standards of Sound Business and Financial Practices.

**NOTES TO FINANCIAL STATEMENTS (continued)**

The Credit Union Act requires credit unions to maintain minimum regulatory capital, as defined by the Act. Regulatory capital is calculated as a percentage of total assets, and of risk-weighted assets. Risk-weighted assets are calculated by applying risk weight percentages, as prescribed by the Act, to various asset categories, operational and interest rate risk criteria. The prescribed risk weights are dependent upon the degree of risk inherent in the asset.

The Act requires credit unions to maintain a capital ratio of 4.00% and a risk-weighted capital ratio of 8.00%. The Credit Union has a stated policy that it will maintain at all times capital equal to the minimum required by the Act. The current minimum ratios per board policy are a capital ratio of 4.00% and a risk-weighted capital ratio of 8.00%. As at December 31, 2010, capital as a percentage of assets was 6.32% (2009 - 5.98%) and capital as a percentage of risk weighted assets was 14.74% (2009 - 16.61%).

Northridge manages its Tier 1 and Tier 2 capital in accordance with internal policies and regulatory requirements. Tier 1 capital is the highest quality and consists of retained earnings and membership shares. The Credit Union does not have any Tier 2 capital.

As at December 31, 2010, the amount and composition of Tier 1 capital was as follows:

**Tier 1 Capital**

Retained Earnings	\$ 3,532,088
Membership Shares	207,640
<b>Total Regulatory Capital</b>	<b>\$ 3,739,728</b>

**9. FINANCIAL RISK MANAGEMENT:**

The nature of the Credit Union's holdings of financial instruments exposes the Credit Union to credit, liquidity and market risk.

**Credit Risk**

Credit risk is the potential for financial loss to the Credit Union if a borrower or guarantor fails to meet payment obligations in accordance with agreed terms. Credit risk is one of the most significant and pervasive risks in the business of a credit union. Every loan, extension of credit or transaction that involves settlements between the Credit Union and other parties or financial institutions exposes the Credit Union to some degree of credit risk.

The Credit Union's primary objective is to create a methodological approach to our credit risk assessment in order to better understand, select and manage our exposures to deliver stable ongoing earnings. The strategy is to ensure central oversight of credit risk, fostering a culture of accountability, independence and balance. The responsibility for credit risk management is organization-wide in scope, and is managed through an infrastructure based upon:

**NOTES TO FINANCIAL STATEMENTS (continued)**

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- (i) Centralized approval by the Board of Director's, of all credit risk policies reflecting the following six categories:
  - a. Credit risk assessment includes policies related to credit risk analysis, risk rating and risk scoring;
  - b. Credit risk mitigation includes credit structuring, collateral and guarantees;
  - c. Credit risk approval includes credit risk limits and exceptions;
  - d. Credit documentation focuses on documentation and administration;
  - e. Credit review focuses on monitoring for financial performance, covenant compliance and any sign of deterioration;
  - f. Credit portfolio management includes sectoral, geographic and overall risk concentration limits and risk quantification;
- (ii) Centralized approval by the Chief Executive Officer of the discretionary limits of lending officers throughout the Credit Union;
- (iii) Credit adjudication subject to compliance with established policies, exposure guidelines and discretionary limits, as well as adherence to established standards of credit assessment. Credit approvals are escalated to the Chief Executive Officer and ultimately to the Board of Directors, dependant upon credit exposure level and restricted party transactions;
- (iv) Credit department oversight of the following:
  - a. The establishment of guidelines to monitor and limit concentrations in the portfolios in accordance with Board approved policies governing industry risk and group exposures;
  - b. The development and implementation of credit risk models and policies for establishing borrower risk ratings to quantify and monitor the level of risk and facilitate management of commercial credit business;
  - c. Approval of the scoring techniques and standards used in extending, monitoring and reporting of personal credit business;
  - d. Implementation of an ongoing monitoring process of the key risk parameters used in our credit risk models.

The Board has delegated to the Chief Executive Officer the authority to establish a lending hierarchy. As such, a procedure for the delegation of lending authority has been developed and is in active use. The Credit Union employs persons who are competent and qualified to manage its credit granting activities. Staff may be designated individual authorities based on experience and background. Designated staff whose primary job accountabilities are to manage the quality and risk of the Credit Union's portfolio, are granted the authority to use judgement and discretion consistent with policy, in discharging their duties.

Management has the responsibility to:

- (i) Systematically identify, quantify, control and report on existing and potential credit risks and environmental risks in the loan portfolio;
- (ii) Prudently manage the exposure to default and loss arising from those risks;

## NOTES TO FINANCIAL STATEMENTS (continued)

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- (iii) Employ and train, as necessary, personnel who can implement risk measurement and credit management techniques as required by policy.

Adequate measuring, monitoring and reporting on risk position and exposure is maintained and compliance and audit responsibilities are in place and adhered to. The Board of Director's receives regular summary measurements of the credit portfolio.

The Credit Union's credit risk portfolio is classified as "retail" and "commercial/agricultural", and a different risk measurement process is employed for each portfolio. Credit risk rating systems are designed to assess and quantify the risk inherent in credit activities in an accurate and consistent manner.

The Credit Union's credit risk policies, processes and methodologies have not changed materially from the prior year with the exception of enhanced industry analysis and amendments to the basis for concentration measurement.

Except as noted, the carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Credit Union's maximum exposure to credit risk without taking into account the value of any collateral obtained. The Credit Union is also exposed to credit risk through transactions which are not recognized in the balance sheet, such as granting financial guarantees and extending loan commitments. The risk of losses from loans undertaken is reduced by the nature and quality of collateral obtained.

### **Interest Rate Risk**

Interest rate risk is the sensitivity of the Credit Union's financial position to movements in interest rates. The Credit Union is exposed to interest rate risk when we enter into banking transactions with our members, namely deposit taking and lending. When asset and liability principal and interest cash flows have different payment or maturity dates, this results in mismatched positions. An interest-sensitive asset or liability is repriced when interest rates change, when there is cash flow from final maturity, normal amortization, or when members exercise prepayment, conversion or redemption options offered for the specific product. The Credit Union's exposure to interest rate risk depends on the size and direction of interest rate changes, and on the size and maturity of the mismatched positions. It is also affected by new business volumes, renewals of loans or deposits, and how actively members exercise options, such as prepaying a loan before its maturity date.

The Credit Union's interest rate risk is subject to extensive risk management controls and is managed within the framework of policies and limits approved by the Board. These policies and limits ensure, among other things, that the entity is in full adherence to the regulatory requirements prescribed in the Act as well as DICO's standards of Sound Business and Financial Practices. Overall responsibility for asset/liability management rests with the Board. As such, the Board receives regular reports on risk exposures and performance against approved limits.

The key elements of the entity's interest rate risk management framework include:

- (i) Guidelines and limits on the structuring of the maturities, price and mix of deposits, loans, mortgages and investments and the management of asset cash flows in relation to liability cash flows;

## NOTES TO FINANCIAL STATEMENTS (continued)

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- (ii) Guidelines and limits on the use of derivative products to hedge against a risk of loss from interest rate changes;
- (iii) Requirements for comprehensive measuring, monitoring and reporting on risk position and exposure management.

Valuations of all asset and liability positions, as well as off-balance sheet exposures, are performed no less frequently than monthly. The Credit Union's objective is to establish and maintain a balance sheet and off-balance sheet structure that will protect and enhance the Credit Union's net interest income and the value of the Credit Union's capital during all phases of the interest rate cycle and varying economic conditions.

The carrying amounts of interest sensitive assets and liabilities are presented below in the periods in which they next re-price to market rates or mature, and are summed to show the interest rate sensitivity gap. The average rates presented represent the weighted average effective yield based on the earlier of re-pricing or maturity dates.

The management of interest rate risk against internal exposure limits is supplemented by monitoring the sensitivity of the Credit Union's financial assets and liabilities to standard interest rate shock scenarios. See note 17 for Interest Rate sensitivity.

### **Liquidity Risk**

Liquidity risk arises in the course of managing assets and liabilities. It is the risk that the entity is unable to meet its financial obligations in a timely manner and at reasonable prices. The Credit Union's liquidity risk management strategies seek to maintain sufficient liquid financial resources to continually fund the balance sheet under both normal and stressed market environments. The entity's liquidity risk is subject to extensive risk management controls and is managed within the framework of policies and limits approved by the Board. These policies and limits ensure, among other things, that the entity is in full adherence to the regulatory requirements prescribed in the Act as well as DICO's standards of Sound Business and Financial Practices. The Board receives regular reports on risk exposures and performance against approved limits.

The key elements of the entity's liquidity risk management framework include:

- (i) Limits on the sources, quality and amount of liquid assets to meet normal operational requirements, regulatory requirements and contingency funding;
- (ii) Methodology to achieve an acceptable yield on the operating liquidity investment portfolio within prudent risk management bounds;
- (iii) Prudence tests of quality and diversity where investments bear credit risk;
- (iv) Parameters to limit term extension risk;
- (v) Implementation of deposit concentration limits in order to ensure diversification and stability of deposit funding;
- (vi) Requirements for adequate measuring, monitoring and reporting on risk position and exposure management.

## NOTES TO FINANCIAL STATEMENTS (continued)

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Under the DICO Regulations, the Credit Union must maintain a regulatory minimum of 8% of gross liquid assets (cash resources and investments) to the sum of members' deposits. The Credit Union targets to maintain operating liquidity within the range of 8.25% to 12%. The low end of the range has been established in order to maintain a comfortable cushion beyond the statutory minimum requirements in order to meet cash needs, even during periods of market volatility. A cap has been placed on the range in recognition of the fact that too much excess liquidity has a negative impact on earnings. As at December 31, 2010 the Credit Union's liquidity ratio was 13.25% (2009 - 14.64%).

The table in note 17 sets out the period in which the Credit Union's monetary assets and liabilities will mature and be eligible for renegotiation or withdrawal. In addition to the cash flows detailed below, the Credit Union is exposed to potential cash outflows in the form of commitments and contingencies as set out in Notes 11 and 14.

### Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The entity is exposed to foreign currency risk as a result of its members' activities in foreign currency denominated deposits and cash transactions. All foreign currency risk comes from U.S. dollar transactions. The entity's foreign currency risk is subject to extensive risk management controls and is managed in accordance with the framework of policies and limits approved by the Board. These policies and limits ensure, among other things, that the entity is in full adherence to the regulatory requirements prescribed in the Act as well as DICO's standards of Sound Business and Financial Practices. The Board receives regular reports on risk exposures and variance from approved limits. The aforementioned activities that expose the entity to foreign currency risk are measured, monitored and controlled daily to minimize the adverse impact of sudden changes in foreign currency values with respect to the Canadian dollar. As at December 31, 2010 the entity's exposure to a 10% reasonably possible change in the foreign exchange rate is insignificant.

### Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from interest rate risk or foreign currency risk. The Credit Union is exposed to other price risk in its own investment portfolio. The Credit Union adheres to the principles of quality and risk diversification in its investment practices. The entity's other price risk is subject to extensive risk management controls and is managed within the framework of policies and limits approved by the Board. These policies and limits ensure, among other things, that the entity is in full adherence to the regulatory requirements prescribed in the Act as well as DICO's standards of Sound Business and Financial Practices. The Board receives regular reports on risk exposures and performance against approved limits. As at December 31, 2010 the entity has limited investments subject to other price risk and this exposure is insignificant.

**NOTES TO FINANCIAL STATEMENTS (continued)****10. INCOME TAXES:**

Income tax differs from the amount that would be computed by applying the federal and provincial statutory income tax rates of 31.00% (2009 - 33.00%). The reasons for the differences are as follows:

	2010	2009
Computed tax expense	\$ 171,468	\$ 141,038
Increase (decrease) resulting from:		
Non-deductible costs	2,000	2,650
Preferred rate and small business deductions for Credit Unions	(83,000)	(90,853)
Other	(468)	10,840
<b>Tax Provision</b>	<b>\$ 90,000</b>	<b>\$ 63,675</b>

The tax effects of temporary differences that give rise to significant portions of future income taxes assets and future income taxes liabilities at December 31, 2010 are presented below:

	2010	2009
Future income tax assets:		
Provisions for credit losses	\$ 7,000	\$ 12,800
Capital assets - difference between net book value and undepreciated capital cost	45,000	43,000
Investments	22,000	7,200
	74,000	63,000
Less valuation allowance	(6,000)	(2,000)
<b>Net future income tax asset</b>	<b>\$ 68,000</b>	<b>\$ 61,000</b>

**11. COMMITMENTS:**

## (a) Lines of credit:

As at December 31, 2010 the total approved lines of credit to members was \$3,464,825 of which \$1,617,239 has been disbursed.

## (b) Loans to members:

As at December 31, 2010 loans amounting to \$2,275,866 had been approved but not yet disbursed.

## (c) Banking system services:

The Credit Union has contracts for banking system services that require annual payments of approximately \$116,000 for the years 2011 to 2013 inclusive.

## NOTES TO FINANCIAL STATEMENTS (continued)

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### 12. STATUTORY INFORMATION:

#### (a) Related Party Transactions

At December 31, 2010, mortgage and non-mortgage loans amounting to approximately \$2,681,029 (2009 - \$1,575,955) were due from officers, directors and employees of the Credit Union. All loans issued to officers, directors and employees of the Credit Union conform to the Credit Union policies for terms, interest rates, limits and credit.

The aggregate remuneration paid to directors was \$6,670 (2009 - \$6,200).

#### (b) Other Information:

In accordance with the required disclosure under Ontario Regulation 237/09, Section 28 of the Credit Unions and Caisses Populaires Act 1994, no officer or employee of the Credit Union had remuneration greater than \$150,000 during the year.

### 13. CENTRAL 1 DEMAND LOAN:

The Credit Union has access to a line of credit facility totaling \$3,000,000 at the Central 1 prime rate. The line of credit is secured by an assignment of loans to members and a general security agreement covering all assets of the Credit Union. At year end, the Credit Union has not drawn on any of its credit facilities (2009 - NIL).

### 14. CONTINGENCIES:

In the normal course of business, the Credit Union may be subject to a number of lawsuits and other legal proceedings. The outcome of these lawsuits is uncertain.

In the opinion of management, these lawsuits will not have a material effect upon the financial position of the Credit Union. Any settlement in respect of these claims will be reflected as a charge to income in the year of settlement.

### 15. FAIR VALUE OF FINANCIAL INSTRUMENTS:

#### (a) Estimated fair value of on-balance sheet financial instruments:

The amounts set out below represent the fair value of the Credit Union's financial instruments using the valuation methods and assumptions described below.

The estimated fair value amounts are designed to approximate amounts at which instruments could be exchanged in a current transaction between willing parties who are under no compulsion to act. Fair values are based on estimates using present value and other valuation techniques, which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates which reflect varying degrees of risk. Because of the estimation process and the need to use judgement, the aggregate fair value amounts should not be interpreted as being necessarily realizable in an immediate settlement of the instruments.

**NOTES TO FINANCIAL STATEMENTS (continued)**

			2010	2009
	Fair Value	Book Value	Fair Value Over(under) Book Value	Fair Value Over(under) Book value
Financial assets:				
Loans to members	\$ 54,242,000	51,592,130	2,649,870	447,009
Investments	4,834,536	4,761,940	72,596	31,526
Financial liabilities:				
Members' deposit accounts	\$ 55,927,000	57,347,041	(1,420,041)	(645,548)

The following methods and assumptions were used to estimate the fair value of financial instruments:

- (i) The fair values of cash and liabilities to non-members are assumed to approximate their carrying values, due to their short-term nature.
- (ii) The fair value of investments is based on quoted market values where available. Carrying values are used when no quoted market prices are available.
- (ii) The estimated fair value of floating rate loans and floating rate deposits is assumed to be equal to book value as the interest rate on these loans and deposits reprice to market on a periodic basis.
- (iv) The estimated fair value of fixed rate loans, fixed rate deposits and liabilities qualifying as regulatory capital is determined by discounting the expected future cash flows of these loans, deposit accounts at current market rates for products with similar terms and credit risks.

(b) Equity swap agreements:

Included in term deposits and RRSPs is a total of \$579,661 (2009 - \$567,759) of index linked deposits. The fair value of the index linked swap contracts at year-end is approximately \$105,118 (2009 - \$83,587).

**16. COMPARATIVE FIGURES**

Certain of the 2009 figures have been reclassified to conform with the 2010 presentation.

**NOTES TO FINANCIAL STATEMENTS (continued)****17. INTEREST RATE SENSITIVITY**

Contractual repricing and maturity risk is the sensitivity of the Credit Union's financial condition to movements in interest rates. The carrying amounts of interest sensitive assets and liabilities are presented in the periods in which they next reprice to market rates or mature and are summed to show the interest rate sensitivity gap.

	Variable Rate	Fixed rates		Non-Interest Sensitive	2010 Total	2009 Total
		Less than 1 year	1 to 5 Years			
<b>Assets:</b>						
Cash resources	\$ 2,777,853	-	-	574,400	3,352,253	3,758,548
Investments	-	4,235,951	-	525,989	4,761,940	4,418,171
Member loans	13,202,993	6,340,786	32,110,904	(62,553)	51,592,130	46,011,729
Other	-	-	-	1,673,251	1,673,251	1,699,373
	15,980,846	10,576,737	32,110,904	2,711,087	61,379,574	55,887,821
<b>Liabilities &amp; Members' Equity</b>						
Member deposits	22,417,346	21,497,007	9,064,204	4,368,483	57,347,040	52,381,683
Other	-	-	-	4,032,534	4,032,534	3,506,138
	22,417,346	21,497,007	9,064,204	8,401,017	61,379,574	55,887,821
On balance sheet mismatch	(6,436,500)	(10,920,270)	23,046,700	(5,689,930)	-	-
Cumulative mismatch	\$ (6,436,500)	(17,356,770)	5,689,930	-	-	-

It is estimated that an immediate and sustained parallel increase in interest rates of 1% sources all maturities and currencies would decrease net interest income by approximately \$8,000 and a decrease in interest rates of 1% across all maturities and currencies would decrease net interest income by approximately \$8,000 over the next twelve months using the following assumptions:

- (i) accrued interest receivable and payable as at December 31, 2010 are excluded from the calculation;
- (ii) no hedging of interest rate exposures are made;
- (iii) instruments repriced evenly within their respective time bands;
- (iv) existing credit commitments will not be drawn upon; and
- (v) no prepayments of fixed term loans or early redemption of redeemable fixed term deposits will be made.

## Northridge Savings & Credit Union Limited SCHEDULE OF EXPENSES

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
<b>Salaries and benefits:</b>		
Salaries	\$ 792,628	\$ 719,700
Benefits	192,786	168,127
Travel	8,400	7,200
	<b>\$ 993,814</b>	<b>\$ 895,027</b>
<b>General:</b>		
Loans miscellaneous	\$ 127,740	\$ 21,299
Administration	81,085	57,623
Outsource services	73,219	69,458
Network	51,538	47,402
Professional fees	43,004	53,000
Supplies	40,805	32,802
CUCO	27,125	28,381
Training and conferences	23,258	23,571
Board and committee	21,613	32,478
Miscellaneous	9,448	10,418
Joint venture	835	4,797
	<b>\$ 499,670</b>	<b>\$ 381,229</b>
<b>Computer, office and other equipment:</b>		
Computer	\$ 142,456	\$ 130,107
Depreciation	46,584	55,755
Maintenance	52,588	37,810
	<b>\$ 241,628</b>	<b>\$ 223,672</b>
<b>Occupancy:</b>		
Depreciation	\$ 93,784	\$ 93,915
Property taxes and insurance	58,914	59,376
Building repairs and maintenance	58,557	57,868
	<b>\$ 211,255</b>	<b>\$ 211,159</b>
<b>Advertising and communications:</b>		
Advertising	\$ 73,500	\$ 39,600
Telephone	28,047	26,113
Postage	26,114	23,943
	<b>\$ 127,661</b>	<b>\$ 89,656</b>
<b>Member security:</b>		
Insurance	\$ 45,942	\$ 43,770
Bonding	47,258	32,380
	<b>\$ 93,200</b>	<b>\$ 76,150</b>

## Report of the Audit Committee

The Audit Committee is responsible for reviewing the annual audited statements and making such recommendations to the Board as the Committee considers appropriate. The Committee is also charged with the responsibility of reviewing the Credit Union's policies and procedures governing its meeting requirements under the Act for liquidity, capital adequacy, lending and interest rate risk management. We also monitor the adherence of the Credit Union's directors, officers, and employees to its code of conduct. The Committee reviews and makes recommendations to the Board about the terms of the engagement letter and remuneration of the external auditor.

Our Internal Auditor, Doug Hamilton, reports directly to the committee, attends all meetings and provides written reports on any matters to be reviewed. During the past fiscal year, the Committee met 4 times to review findings and make recommendations to the Board of Directors.

In November a risk assessment review was completed by Central Risk Management Services (CRIMS). The results of this review were presented to the Board of Directors by management. Recommendations from the review are being adopted by management.

The Audit Committee is satisfied that Credit Union management is complying with the regulatory requirements of the Credit Union Act and other applicable regulations and that adequate and properly managed financial controls and safeguards are in place.

My thanks are extended to Management and our Internal Auditor, and to the other committee members for their dedication and assistance in the past year.



Leo Racette  
Audit Committee Chair

### Committee Members:

Bette Choquette  
Gerry Labelle  
Lisa La Croix  
Pat McNally



People waited over an hour to eat the scrumptious Pancake breakfast!

Northridge would like to thank all the volunteers that helped make the pancake breakfast a success:

Aila, Aline, Bette, Bonnie,  
David, Francine, Gerry,  
Joanne, Nadine, Pat,  
Stephanie, Terry and Zoi.



## Loan Report

A total of 633 loans for a value of \$22,079,533 were issued during the year 2010.

The following is a breakdown of the loans granted during the year.

	2010		2009	
	No. of Loans	Loan Value	No. of Loans	Loan Value
Automobiles	102	2,013,534	86	1,770,536
Auto Repairs & Insurance	8	51,114	5	22,385
Vacation	4	17,662	3	9,060
Investments	9	88,060	6	85,363
Consolidations	95	1,944,335	98	1,612,246
Home Improvements	9	128,993	17	266,214
Household Goods	1	1,625	2	4,921
Education	4	22,355	1	2,278
Operating Expense	-	NIL	-	NIL
Recreational Vehicles	202	3,523,002	16	281,445
Line of Credit	76	567,920	114	845,081
Business Loans	-	NIL	4	792,556
Other	39	576,437	37	579,364
<b>Sub Total</b>	<b>549</b>	<b>8,935,035</b>	<b>389</b>	<b>6,271,449</b>
Merit Line	18	2,297,364	10	1,234,750
Mortgages	66	10,847,134	64	10,501,614
<b>Total Loans</b>	<b>633</b>	<b>22,079,533</b>	<b>463</b>	<b>18,007,813</b>
Denied Loans	351		84	

At year-end, there were no loans in arrears for more than 90 days.

## Marketing Report

The 2010-2011 term has been full of exciting activities, including the development of a long-term marketing strategy. This strategy is a tool used to formalize NSCU's marketing initiatives and to guide us in our future marketing endeavors. Consequently, NSCU has embarked on a more aggressive marketing campaign to demonstrate our commitment to our members and to the community. The following are some of our marketing highlights from the last 12 months:

- Main sponsor of the Sudbury Blueberry Festival;
- Revamped the NSCU website, making it more user friendly;
- Held the 12th Annual Camp Quality BBQ, which raised over \$6,500 for the charity;
- Hosted the Annual Camp Quality Bake Sale, which raised over \$1,800 for the charity;
- Co-hosted the 12<sup>th</sup> Annual Credit Union Golf Tournament, which raised \$6,300 for Habitat for Humanity;
- Placed numerous print advertisements in *The Sudbury Star* and *The South Side Story* publications;
- Aired radio advertisements with local FM stations Q92 and EZ Rock;
- Aired a television advertisement campaign on CTV;
- Obtained a toll-free telephone number for the NSCU member direct number to better serve our members;
- Created brochures that were mailed to homes in the Minnow Lake area in order to attract new members;
- Developed NSCU re-usable shopping bags to be given to new members as a welcome package;
- Financially assisted Adamsdale Public School with their playground upgrades.

On behalf of the Marketing Committee, we look forward to further strengthening NSCU's community presence and to creating additional awareness of our services. As a result of our vast marketing initiatives, our membership continues to grow and we owe a large part of this growth to our current members, who never fail to recommend NSCU to their families and friends. It is a fact that word-of-mouth advertising is the most effective kind of advertising... therefore, we thank our NSCU members.

Respectfully submitted,



Anna Frattini, MBA, H.B.Comm.  
Chair, Marketing Committee

### Committee Members:

Vally LaFlamme  
Ron Abreu  
Lisa La Croix  
Pat McNally



# Privacy and Compliance Report

## PRIVACY

**N**orthridge is a member-owned and controlled financial institution and, as such, has an inherent responsibility to be open and accessible while, at the same time, demonstrating the greatest respect for protection of the member's personal privacy. The Privacy Act was passed to support and promote electronic commerce by protecting personal information that is collected, used or disclosed in certain circumstances, by providing for the use of electronic means to communicate or record information.

The purpose of this Act is to extend the present laws of Canada that protect the privacy of individuals with respect to personal information about themselves and provide individuals with a right of access to that information.

### 10 Interdependent Privacy Principles:

- |   |                            |
|---|----------------------------|
| 1. Accountability                         | 6. Accuracy                |
| 2. Purpose Identification                 | 7. Safeguards              |
| 3. Consent                                | 8. Openness                |
| 4. Limiting Collection                    | 9. Individual Access       |
| 5. Limiting Use, Disclosure and Retention | 10. Challenging Compliance |

## COMPLIANCE

**I**t is the policy of Northridge Savings to prevent, as much as possible, the laundering of proceeds of criminal activity, defined as: "The process through which criminals use legitimate businesses and institutions to conceal the criminal origin of their profits." It is also the policy of this credit union to deter terrorist activity financing transactions and to freeze properties owned or controlled by terrorist groups where it is within our capacity to do so.

Northridge will comply with the obligations under the new Act by reporting suspicious and prescribed transactions to the government agency FINTRAC as required and by implementing a compliance regime including:

- \* The appointment of a compliance officer;
- \* Developing and applying compliance policies and procedures;
- \* An on-going review of compliance policies and procedures; and
- \* Providing employees with training on a continual basis.

While complying with the Act, Northridge Savings will evaluate each reportable situation and will strive to protect our members' privacy and rights to the utmost lengths.

Respectfully submitted,



David Lepage  
Compliance Officer

## Board of Directors

	<u>Term Expires</u>
Patrick McNally, President	2011
Leo Racette, Vice-President	2013
Bette Choquette, Corporate Secretary	2013
Anna Frattini	2011
E. Robert Unger	2012
Ron Abreu	2012
Vally LaFlamme	2012
Gerry Labelle	2011
Lisa La Croix	2013

<b>Audit Committee:</b>	Leo Racette	Gerry Labelle	Pat McNally
	Lisa La Croix	Bette Choquette	
	Doug Hamilton - Internal Auditor		

## Staff

### 9 SECOND AVENUE

Erik Jokinen	Chief Executive Officer
Tess McLaughlin	Chief Financial Officer
David Lepage	Branch Manager
Joanne Lamirande	Loan Officer
Megan Hadner	Office Supervisor
Wendy Geden	Member Service Representative
Carla Harrison	Member Service Representative
Zoi Monroy	Member Service Representative
June Ward	Data Entry Officer
Nadine Sauter	Training & Development Officer

### 1250 LASALLE BLVD.

Patrick Brady	Branch Manager
Kelly Mihaichuk	Loan Officer
Kim Goegan	Loan Officer
Marlene Teskey	Office Supervisor
Carol Tyreman	Member Service Representative
Terry Kohls	Member Service Representative
Christine Funk	Member Service Representative

**Legal Counsel**  
Weaver, Simmons

**Internet** - [www.northridgesavings.com](http://www.northridgesavings.com)