



Celebrating 85 Years

2019 ANNUAL REPORT

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ANNUAL REPORT 2019

JUNE 10TH, 2020 - AGENDA

- Greetings/Introductions

Business Meeting Agenda

- Call to Order and Registration Report
- Adoption of the Agenda
- Minutes of the Eighty-Fourth Annual Meeting
- Business Arising from the Minutes
- Report to the Members
- By-law Amendments
- Election of Officers*
- Report on the Financial Statements

- Report of the Loans Officer
- Report of the Audit and Risk Committee (includes Auditors' Report and Appointment of Auditors)
- Report of the President & Chief Executive Officer
- New Business
- Adjournment

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EXECUTIVE MANAGEMENT TEAM



Lew Figol MBA, MA
President & Chief Executive Officer



Greg Weber CA, CPA, MBA
Chief Financial Officer



Jason Moran MBA, C. Mgr
Chief Operating Officer



Margaret Bayr
Vice President, Lending Services

OUR VISION

The place to belong; the place to bank.

OUR VALUES

Co-operative We believe in the promotion and realization of internationally accepted co-operative principles.

Family We believe our credit union is a family: members, staff and volunteers.

Member for Life We believe in lifelong relationships with our members.

Focusing on the Member We believe that each member is a valued individual and will be treated with respect.

OUR MISSION

To provide the best care of our members' financial needs.

Inspiring Culture We believe in an inspiring culture that values and respects our people and their contributions.

Integrity and Stewardship We believe in long term financial stability, being accountable and acting ethically in all that we do.

Collaboration We believe in partnering and collaborating within our member and credit union communities.

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BOARD OF DIRECTORS



James Cardwell - Chair



Vince Paglia - Vice Chair



Ross Holland - Secretary



Juanita Gledhill - Director



Oscar Husslage - Director



Paul Lahaie - Director



Andrew Leal - Director



Lori Muzak-McComb - Director



Michael Webber - Director

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REPORT TO THE MEMBERS OF HMECU

On behalf of the Board of Directors of Healthcare and Municipal Employees' Credit Union, I am pleased to report to our members on the past year of operations. This evening marks our credit union's 85th Annual General Meeting.

In the year ended December 31, 2019 your credit union realized asset growth of 2.6% with total assets in excess of \$224.3 Million. Loans to members increased by 0.47% and member deposits increased by 2.3% for the year. The slower controlled growth of the credit union was deliberate as the credit union looked to increase its capital position, which increased from 5.4% to 5.5% of assets. Mutual funds under administration, not included in assets on the balance sheet, were in excess of \$70 Million.

This past year also marked strong, positive operating results, which resulted in a net income of \$580,800 for the fiscal year, which exceeded the approved budgeted net income for 2019. This profit comes as a result of a tremendous amount of hard work by the management and staff of the credit union. The strong 2019 operating results were primarily the result of stronger margins, lower data processing, administration and insurance fees. The lack of changes by the Bank of Canada to their policy interest rates allowed the credit union to better align its assets and liabilities to improve our financial margins. The credit union's undivided earnings representing many years of cumulative income was \$11,549,696 as at December 31, 2019.

HMECU's management and the external auditors will provide you with more details about our financial performance for the year ended 2019 in their respective reports later in the program.

The financial environment is changing ever so quickly. In demonstrating our commitment to HMECU's success, management and staff are constantly working to develop new products and services that serve our membership's needs and innovative methods on how they will be delivered. In doing so, this will ensure that we stay ahead of the curve and continue on a successful, profitable and sustainable path.

The Board of Directors are currently planning for a strategic plan review for May/June this year. Strategic planning is critical to the long-term success of any organization. It is an exercise to identify the changing needs of the members, where as an organization we want to go and how we plan on getting there. The strategic planning process helps to invigorate and strengthen the organization by focusing on longer term objectives and renewing the sense of purpose and commitment among Directors and staff.

I am pleased to report to you that this past year has seen the transition to our new CEO, Lew Figol, to this position. The new CEO has adapted to our environment and quickly delivered on the Board's direction. We thank Lew for the extra time and effort he put in to make this possible.

The Board of Directors continues to place considerable effort into governance practices and the constantly changing regulatory requirements that go with it.

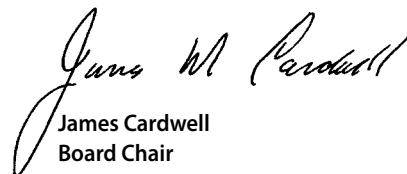
The knowledge, experience and skills of each Director, and the Board as a whole, are important elements in the success and viability of the credit union. Continuing education is provided to Directors on an on-going basis. Our Board of Directors has enrolled in the training "Board 360". This is a regulatory recognized training program that we will use as a governance and training tool. In 2019, collectively, your Board has completed over 180 courses and webinars in this program. Properly informed and educated Directors support the Board's objective to provide strategic value, risk management and oversight to the CEO and Executive Management team.

Before closing my report, I would like to acknowledge our employer groups. Most of our members, as you know, either work in or are retired from the healthcare and municipal government sectors. Our credit union exists today because of the strong support we receive from the leadership of these organizations. They are supporters of the co-operative financial services we offer their staff and members and we are grateful for their continued support.

We are very proud of our past accomplishments and successes and are committed to providing the highest standard of service and products to our members. We believe your credit union has a bright future providing services to our member groups.

On behalf of the Board, I want to thank our President and CEO, his Executive Management team and all our employees for their dedication and hard work. It is through their extraordinary efforts that HMECU continues to truly make good things happen for our credit union and especially our members.

Thank You.



James Cardwell
Board Chair

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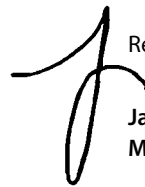
REPORT OF THE LOANS OFFICER

December 31, 2019	2019	2018
Outstandings:		
Residential Mortgages	\$ 127,257,676	\$ 129,331,575
MeritLines	51,632,152	50,806,006
Personal Loans	8,641,875	9,695,378
Lines of Credit	3,008,008	3,172,363
Commercial Loans	387,319	0
Commercial Syndication Loans	6,430,300	3,370,975
Authorized Limits Approved:		
MeritLines	10,479,735	29,384,065
Lines of Credit	352,100	596,975
Mortgages:		
Applications	58	51
Declined	2	0
Disbursements	14,821,346	15,145,239
Personal Loans:		
Applications	210	478
Declined	10	10
Disbursements	3,165,251	4,752,385
Allowance For Impaired Loans:		
Mortgages/Loans/Lines of Credit in excess of 90 days	\$ 226,603	\$ 217,984

In 2019, your credit union experienced a modest growth within our lending portfolios. Commercial syndication loans grew by \$3,059,325, or 190% while personal loans, lines of credit, and mortgages decreased by \$2,078,292 or 1% collectively.

As of December 31, 2019, the credit union's allowance for doubtful loans was \$226,603. This amount represents 0.1% of our total outstanding loans and mortgages and is well below industry standards.

Your credit department remains committed to providing exceptional member service and assisting our members achieve financial wellness.



Respectfully submitted,

**Jason Moran, Chief Operations Officer for
Margaret Bayr, Vice President, Lending Services**

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REPORT OF THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee has received and reviewed the Audited Financial Statements for the year ending December 31, 2019 from our auditors, Millards, Rouse and Rosebrugh LLP, Chartered Professional Accountants. Once again our auditors have expressed an opinion that the financial statements present fairly the financial position and results from operations of the credit union and are free of material misstatement. In addition, the auditors, through their Management Letters, have indicated that their examination has not raised any significant concerns with our procedures or internal controls.

The Audit and Risk Committee is pleased to report that we have met the directives of the Credit Unions and Caisses Populaires Act and the Regulations. The Committee held 8 meetings during 2019 and has undertaken the following significant activities:

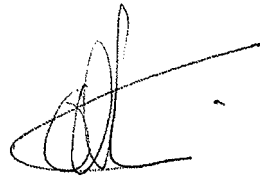
- Reviewed and made recommendations to the Board of Directors regarding the annual external audit engagement letter, scope and plan of the audit and the audit management letters.
- Oversaw the internal audit function by reviewing reports from the internal auditor and evaluating the effectiveness of the internal audit functions.
- Reviewed the reports of the deposit insurer (FSRA) and ensured implementation of recommendations.
- Continued to ensure the implementation of the recommendations made by the external auditors and FINTRAC of the Credit Union's Anti Money Laundering and Terrorist Financing policies and procedures.

- Continued to focus and educate ourselves on Enterprise Risk Management (ERM). We reviewed and monitored the ERM Committee quarterly reports to ensure compliance with approved tolerance and risk appetite levels as well as compliance to Board policy.
- Reviewed the Disaster Recovery and Business Continuity Plan and ensured continued testing of same.
- Monitored the adherence of Directors, Officers and Employees with the credit union's policies and code of conduct.

The Audit and Risk Committee is satisfied that the credit union's procedures, policies and internal controls are sufficient and continue to protect the operations of the credit union.

Thank you to the staff and management for their support and co-operation during this past year.

Respectively submitted,



Oscar Husslage, Chair
Juanita Gledhill, Vice-Chair
Paul Lahaie, Director
Andrew Leal, Director

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FINANCIAL REPORTING RESPONSIBILITIES

The financial information contained in this report is a condensed version of the financial statements. The detailed financial statements are available to our members upon request at the AGM or at any of our branches.

Management is responsible for the preparation, presentation and consistency of the accompanying financial statements and other information contained in this Annual Report.

The financial statements have been prepared in accordance with International Financial Reporting Standards and have been audited by the firm of Millard, Rouse and Rosebrugh LLP, Chartered Professional Accountants. These auditors, appointed by the members, audit our financial statements in accordance with Canadian generally accepted auditing standards. The auditors have free and independent access to the Audit and Risk Committee and meet with the Committee and Management to consider matters relating to financial statement presentation, internal controls and audit procedures.

Management maintains the necessary system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded and proper records maintained.

This system of internal controls provides reasonable assurance that financial records are reliable and are a proper basis for preparation of the financial statements. The Audit and Risk Committee and the Board of Directors, in carrying out their responsibility, have reviewed and approved the financial statements.

The Audit and Risk Committee of the Board of Directors meets at least quarterly with management to review matters relating to the quality of financial reporting and internal accounting controls and the nature, extent and results of the audits. In addition, this Committee recommends the appointment of external auditors.

The Board of Directors oversees management's performance of its financial reporting responsibilities and meets regularly to approve the financial statements and other financial information.

The Financial Services Regulatory Authority of Ontario (FSRA) (formerly the Deposit Insurance Corporation of Ontario (DICO)) conducts a periodic examination and inquiry into the affairs of the Credit Union to ensure compliance with FSRA and the Credit Union by-laws and the provisions of the Credit Unions and Caisses Populaires Act, 1994 under which the Credit Union is chartered and regulated.

Greg Weber CA, CPA, MBA
Chief Financial Officer



REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

To the Members of Healthcare & Municipal Employees' Credit Union

Opinion

The summary financial statements, which comprise the summary statement of financial position as at December 31, 2019, the summary statement of comprehensive income, summary statement of changes in members' equity for the year then ended, and related notes, are derived from the audited financial statements of Healthcare & Municipal Employees' Credit Union for the year ended December 31, 2019.

In our opinion, the accompanying summary financial statements are a fair summary of the audited financial statements, in accordance with management's criteria, described in Note 1.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon.

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated February 18, 2020.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements on the basis described in Note 1.

Auditor's Responsibility

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



Millard, Rouse & Rosebrugh LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

February 18, 2020
Brantford, Ontario

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SUMMARY STATEMENT OF FINANCIAL POSITION

As at December 31	2019	2018
ASSETS		
Current Assets	5,769,515	3,836,629
Loans to Members	197,372,932	196,396,895
Investments	18,996,138	16,243,988
Property, Plant and Equipment	1,765,158	1,961,239
Intangible Assets	134,654	188,961
Right of Use for Leased Assets	406,957	-
Future Income Taxes	14,340	2,690
	224,459,694	218,630,402
LIABILITIES		
Current Liabilities	2,169,481	1,520,341
Members' Deposits and Share Capital	210,811,081	206,152,125
	212,980,562	207,672,466
MEMBERS' EQUITY		
Undivided Earnings	11,549,696	10,968,896
Accumulated Other Comprehensive Income	(70,564)	(10,960)
	11,479,132	10,957,936
	224,459,694	218,630,402

See accompanying note



James Cardwell, Board Chair



Ross Holland, Secretary

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SUMMARY STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31	2019	2018
Interest Revenue	8,162,905	7,323,935
Interest Expense	2,794,897	2,149,622
Interest Margin	5,368,008	5,174,313
Other Income	1,954,120	2,005,755
Income Before Operating Expenses	7,322,128	7,180,068
Operating Expenses		
Employee Salaries and Benefits	3,980,355	3,555,620
Other Operating Expenses	2,664,617	2,831,231
	6,644,972	6,386,851
Operating Income	677,156	793,217
Current and Future Income Taxes	96,356	154,294
Net Income	580,800	638,923

OTHER COMPREHENSIVE INCOME (LOSS)

Change in unrealized gains (loss) on derivative	(68,906)	(12,671)
Tax effect of change in unrealized gains on cash flow hedges	9,302	1,711
Other comprehensive income (loss) for the year	(59,604)	(10,960)
Comprehensive Income for the Year	521,196	627,963

See accompanying note

CELEBRATING 85 YEARS

SUMMARY STATEMENT OF CHANGES IN MEMBERS' EQUITY

	Accumulated Other Comprehensive Income Cash Flow Hedges	Undivided Earnings	Total
Balance at January 1, 2018	-	10,329,973	10,329,973
Net Income	-	638,923	638,923
Change in unrealized gains / (losses) on cash flow hedges	(10,960)	-	(10,960)
Balance at December 31, 2018	(10,960)	10,968,896	10,957,936
Net Income	-	580,800	580,800
Change in unrealized gains / (losses) on cash flow hedges	(59,604)	-	(59,604)
Balance at December 31, 2019	(70,564)	11,549,696	11,479,132

See accompanying note

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SUMMARY STATEMENT OF CASH FLOWS

For the year ended December 31	2019	2018
Cash flows from operating activities		
Net income	580,800	638,923
Non-cash operating activity adjustments	517,332	379,954
	1,098,132	1,018,877
Cash flows from financing activities		
Term loan	-	(8,000,000)
Member deposits and share capital	4,593,581	23,639,292
Lease obligations	(260,575)	
	4,333,006	15,639,292
Cash flows from investing activities		
Purchase of property, plant and equipment	(17,248)	(85,024)
Loans and mortgages to members	(972,415)	(17,110,945)
Investments	(2,628,612)	(2,688,401)
	(3,618,275)	(19,884,370)
Net decrease in cash and cash equivalents	1,812,863	(3,226,201)
Opening cash and cash equivalents	3,696,824	6,923,025
Closing cash and cash equivalents	5,509,687	3,696,824

NOTE TO THE SUMMARY FINANCIAL STATEMENTS

For the year ended December 31, 2019

1. BASIS OF CRITERIA FOR PRESENTATION

The summary financial statements are derived from the audited financial statements, prepared in accordance with International Financial Reporting Standards, as at December 31, 2019 and for the year then ended.

The preparation of these summary financial statements requires management to determine the information that needs to be reflected in them so that they are consistent in all material respects with, or represent a fair summary of, the audited financial statements.

Management prepared these summary financial statements using the following criteria:

a) The summary financial statements include a statement for each statement included in the audited financial statements;

- b) information in the summary financial statements agrees with the related information in the audited financial statements;
- c) major subtotals, totals and comparative information from the audited financial statements are included; and
- d) the summary financial statements contain the information from the audited financial statements dealing with matters having a pervasive or otherwise significant effect on the summarized financial statements.

The audited financial statements of Healthcare & Municipal Employees' Credit Union are available upon request by contacting the credit union.

CELEBRATING 85 YEARS

HMECU FIVE YEAR FINANCIAL HISTORY

	2019	2018	2017	2016	2015
Income Statement (Year ended December 31)					
Interest Revenue	\$ 8,162,905	\$ 7,323,935	\$ 6,267,963	\$ 6,131,192	\$ 6,217,351
Interest and Dividend Expense	2,794,897	2,149,622	1,598,379	1,569,253	1,621,927
Net Interest Margin	5,368,008	5,174,313	4,669,584	4,561,939	4,595,424
Other Income	1,954,120	2,005,755	1,880,574	1,867,777	1,892,619
Total Income	7,322,128	7,180,068	6,550,158	6,429,716	6,488,043
Operating Expenses	6,644,972	6,386,851	6,889,486	6,103,759	6,187,639
Income before Taxes	677,156	793,217	(339,328)	325,957	300,404
Income Taxes	96,356	154,294	(50,459)	43,661	45,400
Net Income (Loss)	\$ 580,800	\$ 638,923	\$ (288,869)	\$ 282,296	\$ 255,004
Statement of Financial Position (at December 31)					
Personal Loans and Lines of Credit	\$ 11,423,280	12,649,757	\$ 15,261,017	\$ 17,177,968	\$ 17,444,775
Mortgages and Merit Lines	178,889,829	180,137,581	161,355,879	142,575,626	126,280,906
Syndicated Loans	6,817,619	3,370,975	2,420,556	4,531,638	5,871,758
Accrued Interest Receivable	242,204	238,582	172,232	179,493	211,725
Loans and Mortgages to Members	197,372,932	196,396,895	179,209,684	164,464,725	149,809,164
Cash and Investments	24,253,706	19,779,028	20,302,104	17,615,052	18,258,187
Other Assets	2,833,056	2,454,479	3,099,689	3,558,173	3,756,998
Total Assets	\$ 224,459,694	218,630,402	\$ 202,611,477	\$ 185,637,950	\$ 171,824,349
Members Chequing and Savings	\$ 83,399,551	79,359,856	\$ 73,070,064	\$ 71,399,751	\$ 67,786,125
Term Deposits	46,342,351	48,139,043	37,326,152	26,759,805	24,908,638
Tax Free Savings Accounts	27,079,282	25,044,502	22,420,955	18,985,082	15,608,676
Registered Deposits	52,233,025	51,860,243	47,838,560	49,212,296	49,983,715
Accrued Interest	1,024,372	958,997	674,471	606,148	667,963
Total Members Deposits & Shares	210,078,581	205,362,641	181,330,202	166,963,082	158,955,117
Membership Shares	732,500	789,484	898,105	922,859	946,834
Other Liabilities	2,169,481	1,520,341	10,053,198	7,071,892	1,446,893
Members' Equity	11,479,132	10,957,936	10,329,973	10,680,116	10,475,505
Total Liabilities and Equity	\$ 224,459,694	218,630,402	\$ 202,611,478	\$ 185,637,949	\$ 171,824,349
Annual Balance Sheet Asset Growth	2.67%	7.91%	9.14%	8.04%	5.09%
Other Items under Administration	\$ 70,641,607	66,225,824	\$ 74,522,624	\$ 67,390,903	\$ 59,769,246

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BOARD OF DIRECTORS

Term of Office expires at the Annual Meeting in the year indicated

Chair..... James Cardwell	2022	Director	Paul Lahaie	2020
Vice Chair..... Vince Paglia.....	2020	Director	Andrew Leal	2021
Secretary..... Ross Holland	2021	Director	Lori Muzak-McComb	2022
Director..... Juanita Gledhill.....	2022	Director	Michael Webber.....	2021
Director..... Oscar Husslage.....	2020			

STAFF (at time of printing)

Yolanda Battiston	Nora Gefucia	Maryann Miskic	Will Stennett
Margaret Bayr	Daniella Giannini	Jason Moran	Lynn Stewart
Kate Blenkarn	Jodi Guagliano	Jeremy Palladino	Jennifer Swing
Debbie Bolt	Jodi Kielb	Gisele Pinard	Brenda Theriault
Tracy Cain	Kitti Kiss	Heather Pye	Tonia Tirabassi
Rose Mary Coccaro	Leslie Lawson	Satnam Rakkar	Greg Weber
Daniela Conz	Cassandra Leftery	Janice Rempel	Greg Welsh
Nancy Cooper	Jacob Lethbridge	Robert Rocklyn	Michael Wilson
Gale DeWitt	Kim Livingstone	Laura Sabatino	
Joanne Engleby	Tina Manojlovic	Ruth Salmeron	
Lew Figol	Crystal Marion	Shereen Shawihat	
Melissa Fraser	Diana McDermid	Christina Shields	
Rita Fredson	Sylvia McKinnon	Kelly Smith	

**Thank you for celebrating
our 85th AGM with us!**

CELEBRATING 85 YEARS

2019 COMMUNITY SUPPORT

During 2019 HMECU was an advocate in providing sponsorships, donations & gifts of over **\$51,800** to a variety of worthy causes throughout the Hamilton, Burlington and Brantford communities. We will continue to be philanthropic to our many employer groups, associations and members in the years to come. Below is a listing of some of the organizations we were proud to support.

Brant Community Healthcare System Foundation

Brantford Police Association

Bullying Canada

Canadian Critical Incident Stress Foundation

City of Burlington

City of Hamilton

Crime Stoppers of Hamilton

EMS Toy Drive

Food 4 Kids

Hamilton Health Sciences

Hamilton Health Sciences Foundation

Hamilton Out of the Cold

Hamilton Police Association

Hamilton Police Retirees Association

Hamilton Professional Firefighters

McMaster Children's Hospital Foundation

Neighbour to Neighbour Centre

St. Joseph's Healthcare Foundation





Full Service Branches

**Corporate Head Office/
Hamilton Mountain Branch**
209 Limeridge Road East
Hamilton, ON L9A 2S6
905-575-8888
1-866-808-2888

Hamilton West Branch
100-1685 Main Street West
Hamilton, ON L8S 1G5
905-526-7244

Brantford Branch
1-330 West Street
Brantford, ON N3R 7V5
519-756-6942

Satellite Offices

St. Joseph's Hospital
50 Charlton Avenue East
Room G1104
Hamilton, ON L8N 4A6
905-522-1155 ext. 32910

Hamilton General Hospital
237 Barton Street East
Level 1, Market Place
Hamilton, ON L8L 2X2
905-527-4322 ext. 48245

Burlington City Hall
426 Brant Street
Burlington, ON L7R 3Z6
905-335-7650

Juravinski Hospital
711 Concession Street
Level 1, Section E, Room 23
Hamilton, ON L8V 1C3
905-521-2100 ext. 42028