

NORTHERN'S MEMBER DELEGATES 2011 - 2012

ARNPRIOR

Bill Holmes
Denis Lacroix
Don Nicholas
Gary McCann
Mike Labelle
Norma Marcellus
Ron Carty

BARRY'S BAY

Grand Tice
Sue Tice

CAPREOL

Bev Winn
Bonnie Mathieu
Jeannie Kilgour
Lorraine Sumpton
Muriel Kitchen
Ruth Tagliabracci

CHAPLEAU

Cliff Keech
Celine Hann
Joanne Ruffo
John Paulaharju
Marc Beaulieu
Rick Ruffo

CONISTON

Cheryl Lavigne
Christy Comin
Dave Strom
John Jaworski
Tom Williams

DEEP RIVER

Bill Patterson
Bob Christie
Carol Ann Mooder
Lucy Morel
Paul Morel
Velma Connelly

EGANVILLE

Aimee Bailey
Ann Jack
Cecilia Curry
Marina Foran
Wanda Tracey

ELLIOT LAKE

Andre Bernard
Aurele Beaupre
Blake Cook
Pat Orser
Robert Methot
Tracey Mathison

ENGLEHART

Bryan Stevenson
Clinton Johanson
John Bos
Justin Boulianne
Stephen Wuerch
Wayne Marshall

GARSON

Bonny O'Reilly
Carla Mooney
Ron Michaud
Sam Roger

HORNEPAYNE

Drago Stefanic
Heather Granger
Julie Roy Ward
Laureen Stefanic

KIRKLAND LAKE

Andrew Snowdon
Gene Snowdon
Harry Johnson
Sylvia Mazzacato
Tanner Rosko

NORTH BAY

Alan Dayes
Gilles Degagne
Linda Penney
Mary Leroux
Pat Dayes
Sue Foster
Tim Foster

PEMBROKE

Anne Watt
Donna Chasse
Floyd Milton
Geraldine Wilcox
Judy St. Cyr

RICHARDS LANDING

Ann Woods
Barb Jalak
Karen Scott
Kathy Drager

SAULT STE. MARIE

Allison Bovingdon
Andrea Valois
Armando Tempesta
Brenda Scott
Christine Marasco
Craig Bovingdon
Donna Crosson
Eugene Orlando
Fern Valois
Folgo Della Vedova

Gene Santoro
Helen Girard
Jarrett Marasco
Jeannine Morin
Jody MacKay

Jorden Marasco
Julian Marasco

Karen Gibb
Karen Robb
Lorisa Slater
Lucy Guzzo
Luigi Guzzo
Pierrette Bovingdon
Robert W. Witty
Rocco Martone
Rose Martone
Susan Graham
Tex McCorkell

SUDBURY

Bruce Eyre
Leonard Frappier
Perry Kayes
Rene Trudeau

THESSALON

Ben MacFarlane
Clarence Catling
Dale Botke
Kelly Boyer
Patricia Winter
Shelly Cere
Stacey Cooke
Terry-Lou Allen
Yvonne Tonelli

THUNDER BAY

Barry Radtke
Cheryl Balacko
Claudette Korolenko
Dave McGowan
Debbie Pawlett
Don Pawlett
Gary Nelson
Ian Neely
Joyce McLeod
Len Brickell
Luci Andreacchi
Marissa Andreacchi
Patricia Neely
Patty Bates
Rob Bell
Sandra Wieckowski
Susan Lundberg

TIMMINS

Bob Mills
Burt Labelle
Debbie Mills
Judy Grant
Maureen Moore
Peter Beaucage

WAWA

Bill DeVries
Isabella Imperatori
Jackie Pelletier
Patricia Lalonde
Tammy Landry
Ulo Pihelgas



building financial futures, *together.*

CONSOLIDATED FINANCIAL REPORT • 2010

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

Management is responsible for the preparation, presentation and consistency of the summarized financial statements and the complete consolidated financial statements of Northern Credit Union Limited and all the information in this Annual Report. The complete consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Management has prepared the financial information contained elsewhere in the Annual Report and has ensured that it is consistent with the complete consolidated financial statements. 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 Committee, in carrying out their responsibility, have reviewed and approved the complete consolidated financial statements. KPMG LLP, the independent external auditors appointed by the members of the Credit Union, have examined the complete consolidated financial statements in accordance with Canadian generally accepted auditing standards.



Al Suraci
President and CEO



Brent Chevis
CFO

BOARD OF DIRECTORS

Geoff Shaw
Sault Ste. Marie
Term Expiry 2011

John Mangone
Sault Ste. Marie
Term Expiry 2012

Tony Andreacchi
Thunder Bay
Term Expiry 2012

David Porter
Richards Landing
Term Expiry 2013

Mac Davidson
North Bay
Term Expiry 2012

Billie Rheault
Timmins
Term Expiry 2013

John Fogarty
Thunder Bay
Term Expiry 2013

Bert Risto
Pembroke
Term Expiry 2011

Dave Kilgour
Capreol
Term Expiry 2013

Ed Robb
Sault Ste. Marie
Term Expiry 2012

Keir Kitchen
Capreol
Term Expiry 2011

Mike Walz
Sault Ste. Marie
Term Expiry 2011

CONSOLIDATED BALANCE SHEET

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

| | 2010 | 2009 |
|---|-----------------------|-----------------------|
| Assets | | |
| Cash | \$ 30,063,394 | \$ 25,759,857 |
| Loans to members | 532,313,187 | 528,793,673 |
| Investments | 78,085,902 | 52,636,637 |
| Other assets | 2,817,277 | 2,783,437 |
| Future income taxes | 778,000 | 1,200,000 |
| Property and equipment | 17,024,278 | 12,245,974 |
| | <u>\$ 661,082,038</u> | <u>\$ 623,419,578</u> |
| Liabilities and Members' Equity | | |
| Members' deposits | \$ 612,636,566 | \$ 566,881,567 |
| Liabilities to non-members: | | |
| Accounts payable and accrued liabilities | 4,590,967 | 5,204,463 |
| Short-term borrowings with Central 1 Credit Union | - | 10,000,000 |
| Liabilities qualifying for regulatory capital: | | |
| Share capital | 9,929,156 | 9,877,477 |
| Members' equity: | | |
| Contributed surplus | 8,243,485 | 8,243,485 |
| Retained earnings | 25,463,278 | 23,129,165 |
| Accumulated other comprehensive earnings | 218,586 | 83,421 |
| | <u>\$ 33,925,349</u> | <u>\$ 31,456,071</u> |
| | <u>\$ 661,082,038</u> | <u>\$ 623,419,578</u> |

CONSOLIDATED STATEMENT OF EARNINGS

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

| | 2010 | 2009 |
|--|---------------------|---------------------|
| Revenue: | | |
| Interest | | |
| - residential mortgage loans | \$ 18,027,288 | \$ 18,329,670 |
| - personal loans | 5,943,009 | 6,474,490 |
| - commercial loans | 5,574,621 | 5,242,275 |
| Investment income | 1,312,409 | 1,635,843 |
| | <u>30,857,327</u> | <u>31,682,278</u> |
| Cost of financing: | | |
| Interest | | |
| - demand deposits | 668,503 | 727,974 |
| - term deposits | 4,275,396 | 5,628,634 |
| - registered savings plans | 3,274,030 | 4,305,667 |
| Distribution to members | 233,638 | 212,617 |
| Interest on external borrowings | 54,765 | 203,866 |
| | <u>8,506,332</u> | <u>11,078,758</u> |
| Net interest income | 22,350,995 | 20,603,520 |
| Provision for impaired loans | 1,843,089 | 1,013,256 |
| Net interest income after provision for impaired loans | 20,507,906 | 19,590,264 |
| Non-interest revenue | 8,630,414 | 8,818,583 |
| | <u>29,138,320</u> | <u>28,408,847</u> |
| Operating expenses: | | |
| Salaries, wages and benefits | 13,409,479 | 12,896,443 |
| Board, delegate and committee | 468,372 | 350,166 |
| Data processing and clearing | 1,474,079 | 1,466,038 |
| General and administration | 6,578,822 | 6,920,276 |
| Insurance | 932,646 | 707,537 |
| Occupancy | 1,880,167 | 1,822,842 |
| Amortization | 1,255,440 | 1,260,847 |
| | <u>25,999,005</u> | <u>25,424,149</u> |
| Operating income | 3,139,315 | 2,984,698 |
| Unrealized gains (losses): | | |
| Unrealized gain (loss) on interest rate swaps | 63,329 | (411,742) |
| Earnings before income taxes | 3,202,644 | 2,572,956 |
| Income taxes: | | |
| Current | 446,531 | 1,011,735 |
| Future | 422,000 | (400,000) |
| | <u>868,531</u> | <u>611,735</u> |
| Net earnings | <u>\$ 2,334,113</u> | <u>\$ 1,961,221</u> |

Note: Complete financial statements are available at your local branch or online at www.northernCU.com

REPORT OF THE AUDIT COMMITTEE

Northern Credit Union Limited's Audit Committee is a committee of the Board of Directors pursuant to Section 125 of the Credit Unions and Caisses Populaires Act, 1994 and Section 27 of Ontario Regulation 237/09. The committee, which consists of four directors, has adopted a mandate that covers all of the duties which are specified to be performed by audit committees in the Regulations to the Act.

The Audit Committee is pleased to report to the members of the Credit Union that it is functioning pursuant to the requirements of the Act and that it has fulfilled its annual mandate. The Audit Committee held six meetings during the year and completed the following significant activities:

- Served as the principal communication link between the external auditors and the Board of Directors and, in particular, reviewed the terms of engagement and scope of the audit, and reviewed the Credit Union's annual financial statements prior to Board approval for issuance to the members.
- Obtained a reasonable understanding of the important elements of internal controls that are important to safeguarding the assets of the Credit Union, ensuring the accuracy of financial reports, and ensuring compliance with policies and procedures.
- Served as the Board's liaison with the internal auditor and reviewed the internal audit mandate, work plan, and reports.
- Reviewed the policies, procedures and controls which relate to legislative compliance, with a particular focus on requirements for liquidity, capital adequacy and interest rate risk management.

Based on its findings, the Audit Committee issues reports and makes recommendations to the Board of Directors or senior management, as appropriate, with respect to the matters outlined above and follows up to ensure that the recommendations are considered and implemented.

The committee received full co-operation and support from management to enable it to play an effective role in improving the quality of financial reporting to the members and enhancing the overall control structure of the Credit Union.

There are no significant recommendations made by the Audit Committee that have not been either implemented or are in the process of being implemented. In addition, there are no matters which the Audit Committee believes should be reported to the members, nor are there any further matters which are required to be disclosed pursuant to the Act or the Regulations thereto.

Respectfully submitted by the Audit Committee,



David Porter, Chair of the Audit Committee
Committee Members: John Mangone, Mike Walz, and Ed Robb