



Healthcare & Municipal
Employees' Credit Union

2021
ANNUAL REPORT

The place to belong. The place to bank.



APRIL 6TH, 2022 - AGENDA

- Greetings/Introductions

Business Meeting Agenda

- Call to Order and Registration Report
- Adoption of the Agenda
- Minutes of the Eighty-Sixth Annual Meeting
- Business Arising from the Minutes
- Report to the Members
- 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

ANNUAL REPORT INDEX

Annual General Meeting Agenda	1
Report Index	1
Executive Management Team, Vision, Mission, Values	2
Board of Directors	3
Report to the Members of HMECU.....	3
Report of the Loans Officer	5
Report of the Audit and Risk Committee.....	6
Financial Reporting Responsibilities	7
Report of the Independent Auditor on the Summary Financial Statements.....	7
Summary Statement of Financial Position	8
Summary Statement of Comprehensive Income	9
Other Comprehensive Income (Loss).....	9
Summary Statement of Changes in Members' Equity.....	10
Summary Statement Of Cash Flows	11
Note to the Summary Financial Statements.....	11
HMECU Five Year Financial History.....	12
Board of Directors and Staff.....	13
2021 Community Support.....	14

EXECUTIVE MANAGEMENT TEAM



OUR VISION

The place to belong; the place to bank.



OUR MISSION

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



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.



Lew Figol MBA, MA
President & Chief Executive Officer



Greg Weber CA, CPA, MBA
Chief Financial Officer



Jason Moran MBA, C. Mgr
Chief Operations Officer



Laura Sabatino CHRL
Director, Human Resources

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.



Vince Paglia - Chair



James Cardwell - Vice Chair



Lori Muzak-McComb
Secretary



Juanita Gledhill - Director



Ross Holland - Director



Oscar Husslage - Director



Paul Lahaie - Director



Andrew Leal - Director



Michael Webber - Director

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 87th Annual General Meeting.

We are very proud of our accomplishments and successes this past year 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 during these trying times. It is through their extraordinary efforts that HMECU continues to evolve our services to meet the financial needs of our members.

In the year ended December 31, 2021, your credit union realized asset growth of 3.56% with total assets in excess of \$253.6 Million. Loans to members increased by 12.39% and member deposits decreased by 0.42% for the year as members invested \$5 Million into the investment share offering. The slower controlled growth of deposits was deliberate as the credit union looked to decrease its liquidity which grew substantially at the beginning of the pandemic. Liquidity dropped from 18.75% the previous year end down to 11.14% on December 31, 2021. While our policy requires that the credit union limit liquidity to between 7% and 20%, it is generally more prudent to be operating at the lower end of the liquidity range. When a credit union uses member deposits by issuing more loans, our profitability increases.

The credit union's regulatory capital increased from 5.3% to 7.5% of assets, in part due to the investment share offering as well as to the strong financial results this past year. Mutual funds under administration, not included in assets on the balance sheet, were in excess of \$66 Million.

This past year also marked strong, positive operating results, which resulted in a net income of \$1,071,928 for the fiscal year, which exceeded the approved budgeted net income for 2021. This profit comes because of a tremendous amount of hard work by the management and staff of the credit union. The strong 2021 operating results were primarily the result of a stronger borrowing

REPORT TO THE MEMBERS OF HMECU (CONT.)

base including a further diversification in commercial lending, and lower operating expenses. The credit union's undivided earnings representing many years of cumulative income was \$13,329,916 as at December 31, 2021. Combined with member share capital and investment shares, the credit union's regulatory capital totaled \$19,028,540.

HMECU's management and the external auditors will provide you with more details about our financial performance for the year ended 2021 in their respective reports later in the program.

The financial environment is changing ever so quickly. In demonstrating our commitment to HMECU's success, the credit union needed to make several significant changes this year. First, the credit union successfully closed an investment share offering in the amount of \$5,000,000, which strengthened the credit union's capital position and will allow it to begin to grow more rapidly so that we can make the changes necessary to meet member's future financial needs.

Technological changes began to take place in the past year. The credit union invested into payments modernization so that we can meet both Canadian and international payments standards. In doing so, we will be able to participate in the newest technological changes which will improve service in payments for members.

The credit union also invested in a new core banking system, Fiserv's DNA, which is the most widely used banking system among credit unions in Canada. The new banking system will allow us to bring more efficiencies and allow us to add new products and services for our members.

Your credit union also invested in a new online banking platform and once transferred over, we will be able to use the platform to take advantage of many of the new services being developed through payments modernization.

The Board of Directors are currently planning for a strategic plan review for later this year. Strategic planning is critical

to the long-term success of any organization. It is also the time to identify and respond to the changes contained in the new Credit Unions and Caisses Populaires Act, 2020, as well as address the needs of the members, and where, as an organization we can improve on the service to our members. 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.

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 2021, collectively, your Board has completed over 135 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.

Thank You.



Vince Paglia, Board Chair

REPORT OF THE LOANS OFFICER

December 31, 2021	2021	2020
Outstandings:		
Residential Mortgages	\$ 156,239,935	\$ 136,203,867
MeritLines	30,415,294	39,652,582
Personal Loans	3,076,025	5,659,652
Lines of Credit	2,404,979	2,579,641
Commercial Loans	13,438,802	4,487,186
Commercial Syndication Loans	16,494,970	9,006,248
Authorized Limits Approved:		
MeritLines	4,944,168	4,428,128
Lines of Credit	63,741	298,000
Mortgages:		
Applications	522	156
Declined	7	4
Disbursements	50,410,342	16,154,555
Personal Loans:		
Applications	351	89
Declined	22	12
Disbursements	552,874	1,345,353
Allowance For Impaired Loans:		
Mortgages/Loans/Lines of Credit adjusted for IFRS9	\$ 332,370	\$ 417,888

In 2021, your credit union experienced growth of 12.39% within our lending portfolios. Commercial syndications loans grew by \$7,488,722; commercial loans grew by \$8,951,616, and our personal loans, lines of credit and mortgages increased by \$8,040,491 or 4.37% collectively.

As of December 31, 2021, the credit union's allowance for doubtful loans was \$332,370. This amount represents 0.15% of our total outstanding loans and mortgages and is well below industry standards. The allowance for loan losses

represented management's best estimate of impairment incurred in the loan portfolio at the balance sheet date.

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



Respectfully submitted,

Jason Moran, Chief Operations Officer

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, 2021 from our auditors, Millard, 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 four virtual meetings during 2021 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.
- 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.
- Oversaw a Cyber Security Controls and IT General Controls audit. The Committee continues to monitor risks and the implementation of recommendations to protect the credit union and its members.
- Oversaw the implementation of the Common Reporting Standard for the automatic exchange of financial account information between tax administrations, facilitating the fight against tax evasion and tax fraud.
- 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,



Juanita Gledhill, Chair
Andrew Leal, Vice-Chair
Ross Holland, Director
Paul Lahaie, Director

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) 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, 2021, the summary statement of comprehensive income, summary statement of changes in members' equity, and summary statement of cash flows 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, 2021.

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

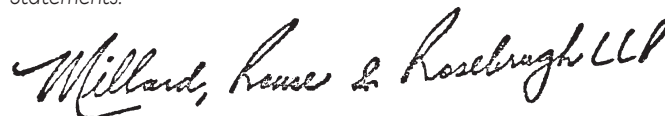
We expressed an unmodified audit opinion on the audited financial statements in our report dated March 1, 2022.

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

March 1, 2022
Brantford, Ontario

SUMMARY STATEMENT OF FINANCIAL POSITION

As at December 31	2021	2020
ASSETS		
Current Assets	7,997,888	18,009,181
Loans to Members	222,117,555	197,440,440
Investments	19,379,241	26,897,219
Property, Plant and Equipment	1,417,310	1,557,570
Intangible Assets	2,379,377	830,571
Right of Use for Leased Assets	289,349	389,184
Future Income Taxes	-	27,628
	253,580,720	245,151,793
LIABILITIES		
Current Liabilities	5,518,458	2,071,601
Members' Deposits and Share Capital	234,732,346	230,764,715
	240,250,804	232,836,316
MEMBERS' EQUITY		
Undivided Earnings	13,329,916	12,257,988
Accumulated Other Comprehensive Income	-	57,489
	13,329,916	12,315,477
	253,580,720	245,151,793

See accompanying note



Vince Paglia, Board Chair



Lori Muzak-McComb, Secretary

SUMMARY STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31	2021	2020
Interest Revenue	7,237,713	7,924,511
Interest Expense	1,997,749	2,637,312
Interest Margin	5,239,964	5,287,199
Other Income	2,017,017	1,931,369
Income Before Operating Expenses	7,256,981	7,218,568
Operating Expenses		
Employee Salaries and Benefits	3,155,145	3,267,891
Other Operating Expenses	2,687,875	3,100,594
	5,843,020	6,368,485
Operating Income	1,413,961	850,083
Dividends on members' shares	(122,431)	-
Current and Future Income Taxes	219,602	141,791
Net Income	1,071,928	708,292
OTHER COMPREHENSIVE INCOME (LOSS)		
Change in unrealized gains (loss) on derivative	(65,477)	147,054
Tax effect of change in unrealized gains on cash flow hedges	7,988	(19,001)
Other comprehensive income (loss) for the year	(57,489)	128,053
Comprehensive Income for the Year	1,014,439	836,345

See accompanying note

SUMMARY STATEMENT OF CHANGES IN MEMBERS' EQUITY

	Accumulated Other Comprehensive Income Cash Flow Hedges	Undivided Earnings	Total
Balance at January 1, 2020	(70,564)	11,549,696	11,479,132
Net Income	-	708,292	708,292
Change in unrealized gains / (losses) on cash flow hedges	128,053	-	128,053
Balance at December 31, 2020	57,489	12,257,988	12,315,477
Net Income	-	1,071,928	1,071,928
Change in unrealized gains / (losses) on cash flow hedges	(57,489)	-	(57,489)
Balance at December 31, 2021	-	13,329,916	13,329,916

See accompanying note

SUMMARY STATEMENT OF CASH FLOWS

For the year ended December 31	2021	2020
Cash flows from operating activities		
Net income	1,071,928	708,292
Non-cash operating activity adjustments	(411,124)	253,279
	660,804	961,571
Cash flows from financing activities		
Credit Facility	4,000,000	-
Member deposits and share capital	4,273,401	20,005,567
Lease obligations	(249,792)	(266,361)
	8,023,609	19,739,206
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,692,352)	(790,129)
Loans and mortgages to members	(24,646,235)	(56,386)
Investments	7,170,083	(7,763,594)
	(19,168,504)	(8,610,109)
Net decrease in cash and cash equivalents	(10,484,091)	12,090,668
Opening cash and cash equivalents	17,600,355	5,509,687
Closing cash and cash equivalents	7,116,264	17,600,355

NOTE TO THE SUMMARY FINANCIAL STATEMENTS

For the year ended December 31, 2021

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, 2021 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.

HMECU FIVE YEAR FINANCIAL HISTORY

	2021	2020	2019	2018	2017
Income Statement (Year ended December 31)					
Interest Revenue	\$ 7,237,713	\$ 7,924,511	\$ 8,162,905	\$ 7,323,935	\$ 6,267,963
Interest and Dividend Expense	2,120,180	2,637,312	2,794,897	2,149,622	1,598,379
Net Interest Margin	5,117,533	5,287,199	5,368,008	5,174,313	4,669,584
Other Income	2,017,017	1,931,369	1,954,120	2,005,755	1,880,574
Total Income	7,134,550	7,218,568	7,322,128	7,180,068	6,550,158
Operating Expenses	5,843,020	6,368,485	6,644,972	6,386,851	6,889,486
Income before Taxes	1,291,530	850,083	677,156	793,217	(339,328)
Income Taxes	219,602	141,791	96,356	154,294	(50,459)
Net Income (Loss)	\$ 1,071,928	\$ 708,292	\$ 580,800	\$ 638,923	\$ (288,869)
Statement of Financial Position (at December 31)					
Personal Loans and Lines of Credit	\$ 5,322,831	\$ 7,906,658	\$ 11,423,280	\$ 12,649,757	\$ 15,261,017
Mortgages and Merit Lines	186,576,746	175,787,611	178,889,829	180,137,581	161,355,879
Syndicated and Commercial Loans	29,933,772	13,492,845	6,817,619	3,370,975	2,420,556
Accrued Interest Receivable	284,206	253,326	242,204	238,582	172,232
Loans and Mortgages to Members	222,117,555	197,440,440	197,372,932	196,396,895	179,209,684
Cash and Investments	26,491,011	44,124,276	24,253,706	19,779,028	20,302,104
Other Assets	4,972,154	3,587,077	2,833,056	2,454,479	3,099,689
Total Assets	\$ 253,580,720	\$ 245,151,793	\$ 224,459,694	\$ 218,630,402	\$ 202,611,477
Members Chequing and Savings	\$ 117,643,503	\$ 104,113,080	\$ 83,399,551	\$ 79,359,856	\$ 73,070,064
Term Deposits	38,385,186	43,403,414	46,342,351	48,139,043	37,326,152
Tax Free Savings Accounts	28,471,791	30,788,732	27,079,282	25,044,502	22,420,955
Registered Deposits	43,899,691	50,786,599	52,233,025	51,860,243	47,838,560
Accrued Interest	666,669	972,439	1,024,372	958,997	674,471
Total Members Deposits & Shares	229,066,840	230,064,264	210,078,581	205,362,641	181,330,202
Membership Shares	5,665,506	700,451	732,500	789,484	898,105
Other Liabilities	5,518,458	2,071,601	2,169,481	1,520,341	10,053,197
Members' Equity	13,329,916	12,315,477	11,479,132	10,957,936	10,329,973
Total Liabilities and Equity	\$ 253,580,720	\$ 245,151,793	\$ 224,459,694	\$ 218,630,402	\$ 202,611,477
Annual Balance Sheet Asset Growth	3.44%	9.22%	2.67%	7.91%	8.04%
Other Items under Administration	\$ 66,085,300	\$ 73,061,230	\$ 70,641,607	\$ 66,225,824	\$ 74,522,624

BOARD OF DIRECTORS

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

Chair.....Vince Paglia	2023	Director.....Paul Lahaie.....	2023
Vice Chair.....James Cardwell.....	2022	Director.....Andrew Leal	2024
Secretary.....Ross Holland	2024	Director.....Lori Muzak-McComb.....	2022
Director.....Juanita Gledhill.....	2022	Director.....Michael Webber	2024
Director.....Oscar Husslage	2023		

STAFF (at time of printing)

Yolanda Battiston	Daniella Giannini	Michael Molinaro	Brenda Theriault
Paul Beck	Lucas Johnson	Jason Moran	Tonia Tirabassi
Laura Belluz	Kitti Kiss	Gisele Pinard	John Venema
Kate Blenkarn	Gina Krohe	Corey Pitre	Greg Weber
Debbie Bolt	Royal Kumar	Heather Pye	Greg Welsh
Tracy Cain	Kim Livingstone	Janice Rempel	Shaila Williams
Rose Mary Cocco	Emma Lyall	Althea Robb	Michael Wilson
Ryan Cowden	Crystal Marion	Laura Sabatino	O'Neal Yako
Gale DeWitt	Jodi Mattyasovszky	Ruth Salmeron	
Lew Figol	Diana McDermid	Will Stennett	
Melissa Fraser	Maryann Miskic	Jennifer Swing	

Thank you for celebrating
our **87th AGM** with us!

2021 COMMUNITY SUPPORT

During 2021 HMECU was an advocate in providing sponsorships, donations & gifts of **over \$25,000** 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 Foundation

Canadian Red Cross B.C.
Floods and Extreme Weather Appeal

Child Hunger Brantford

City Kidz

Food4Kids Brant Haldimand

Hamilton Health Sciences
Foundation

Hamilton Professional Firefighter's
Association Charity

McMaster Children's Hospital - NICU Unit

St. Joseph's Healthcare Foundation

Youth Mental Health Canada
Charitable Foundation





Healthcare & Municipal Employees' Credit Union

Full Service Branches

Corporate Head Office/ Hamilton Mountain Branch

209 Limeridge Road East
Hamilton, ON L9A 2S6

Brantford Branch

1-330 West Street
Brantford, ON N3R 7V5

Satellite Offices

St. Joseph's Hospital

50 Charlton Avenue East
Room G1104
Hamilton, ON L8N 4A6

Hamilton General Hospital

237 Barton Street East
Level 1, Market Place
Hamilton, ON L8L 2X2

Burlington City Hall

426 Brant Street
Burlington, ON L7R 3Z6

Juravinski Hospital

711 Concession Street
Level 1, Section E, Room 23
Hamilton, ON L8V 1C3

PH: 905-575-8888
1-866-808-2888

FX: 905-575-3104

www.HMECU.com