



We care for the financial needs and wellbeing of our members so you can focus on what matters most.



Healthcare & Municipal
Employees' Credit Union

2020 ANNUAL REPORT

APRIL 7TH, 2021 - AGENDA

- Greetings/Introductions

Business Meeting Agenda

- Call to Order and Registration Report
- Adoption of the Agenda
- Minutes of the Eighty-Fifth 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



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



Remo D'Aloisio
Vice President, Credit Services

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



Ross Holland - Secretary



Juanita Gledhill - Director



Oscar Husslage - Director



Paul Lahaie - Director



Andrew Leal - Director



Lori Muzak-McComb -
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 86th Annual General Meeting.

In the year ended December 31, 2020 your credit union realized asset growth of 9.22% with total assets in excess of \$245.2 Million. Loans to members increased by 0.03% and member deposits increased by 9.51% for the year. The global pandemic caused economic uncertainty as governments locked down the economy and many people lost their jobs. This caused not only our members, but Canadians as a whole to save more as businesses were shuttered and travel plans were put on hold for most of the year. This economic uncertainty also reduced lending demand with many members paying down lines of credit and mortgages and others put off renovations or upgraded their homes during this time. Our commercial lending increased along budgeted projections allowing the lending portfolio to remain stable. The increase in deposits reduced our capital position, which decreased from 5.5% to 5.3% of assets, but is still well within policy and regulatory limits. With the new member investment shares being issued in early 2021, our capital position will increase and allow for stronger and more profitable growth in the coming years. Mutual funds under administration, not included in assets on the balance sheet, were more than \$73 Million.

This past year also marked strong, positive operating results, which resulted in a net income of \$708,292 for the fiscal year, which exceeded the approved budgeted net income for 2020. This profit comes as a result of a tremendous amount of hard work by the management and staff of the credit union. The strong 2020 operating results were primarily the result of lower administrative fees, especially in salaries and benefits as management delayed hiring several positions to reduce costs. Despite three 0.50% rate cuts in March 2020, revenues from derivative instruments helped offset the interest rate cuts and the credit union participated in a Federal Work Share program which also allowed the credit union to realize some short-term savings in 2020. The credit union's undivided earnings representing many years of cumulative income was \$12,257,988 as at December 31, 2020.

REPORT TO THE MEMBERS OF HMECU (CONT.)

HMECU's management and the external auditors will provide you with more details about our financial performance for the year ended 2020 in their respective reports later in the program.

The financial environment during the pandemic is changing ever so quickly. More members turned to online services, whether they are shopping for groceries, clothing and even for their banking needs. 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 provide innovative delivery methods. 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 held a strategic planning session during August 2020. 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. During the meeting, the Board recognized that the current banking system does not fulfill the needs of the membership and the move to a banking system that could meet the future needs of the membership was reviewed and later approved. The Board of Directors also made the difficult decision to close the under-utilized branch at Main West as the location was serving less than 20 members weekly. The savings from the lease will be invested into the new banking system and new technology, such as payments modernization, which is required to be upgraded to meet federal and international standards.

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 is enrolled in the training platform "Board 360". This is a regulatory recognized training program that we use as a governance and training tool. In 2020, 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.



Vince Paglia, Board Chair

REPORT OF THE LOANS OFFICER

December 31, 2020	2020	2019
Outstandings:		
Residential Mortgages	\$ 136,203,867	\$ 127,257,676
MeritLines	39,652,582	51,632,152
Personal Loans	5,659,652	8,641,875
Lines of Credit	2,579,641	3,008,008
Commercial Loans	4,487,186	387,319
Commercial Syndication Loans	9,006,248	6,430,300
Authorized Limits Approved:		
MeritLines	4,428,128	10,479,735
Lines of Credit	298,000	352,100
Mortgages:		
Applications	156	58
Declined	4	2
Disbursements	16,154,555	14,821,346
Personal Loans:		
Applications	89	210
Declined	12	10
Disbursements	1,345,353	3,165,251
Allowance For Impaired Loans:		
Mortgages/Loans/Lines of Credit in excess of 90 days	\$ 417,888	\$ 226,603

In 2020, your credit union experienced modest growth within our lending portfolios. Commercial syndications loans grew by \$2,575,948 or 140% and commercial loans grew by \$4,099,867. Our personal loans, lines of credit and mortgages increased by \$553,293 or 0.01% collectively.

As of December 31, 2020, the credit union's allowance for doubtful loans was \$417,888. This amount represents 0.21% 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 achieve financial wellness.



Respectfully submitted,

**Jason Moran, Chief Operations Officer
for Remo D'Aloisio, Vice President, Credit
Services**

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, 2020 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 5 Zoom meetings during 2020 and has undertaken the following significant activities:

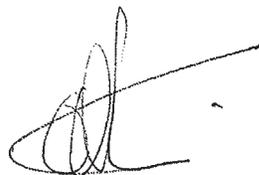
- Reviewed and made recommendations to the Board of Directors regarding the annual external audit engagement letter, scope and plan of the audit and the audit management letters.
- Oversaw the internal audit function by reviewing reports from the internal auditor and evaluating the effectiveness of the 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.
- 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

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, 2020, 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, 2020.

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 16, 2021.

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 16, 2021
Brantford, Ontario

SUMMARY STATEMENT OF FINANCIAL POSITION

As at December 31	2020	2019
ASSETS		
Current Assets	18,009,181	5,769,515
Loans to Members	197,440,440	197,372,932
Investments	26,897,219	18,996,138
Property, Plant and Equipment	1,557,570	1,765,158
Intangible Assets	830,571	134,654
Right of Use for Leased Assets	389,184	406,957
Future Income Taxes	27,628	14,340
	245,151,793	224,459,694
LIABILITIES		
Current Liabilities	2,071,601	2,169,481
Members' Deposits and Share Capital	230,764,715	210,811,081
	232,836,316	212,980,562
MEMBERS' EQUITY		
Undivided Earnings	12,257,988	11,549,696
Accumulated Other Comprehensive Income	57,489	(70,564)
	12,315,477	11,479,132
	245,151,793	224,459,694

See accompanying note



Vince Paglia, Board Chair



Ross Holland, Secretary

SUMMARY STATEMENT OF CHANGES IN MEMBERS' EQUITY

	Accumulated Other Comprehensive Income Cash Flow Hedges	Undivided Earnings	Total
Balance at January 1, 2019	(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
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

See accompanying note

SUMMARY STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31	2020	2019
Interest Revenue	7,924,511	8,162,905
Interest Expense	2,637,312	2,794,897
Interest Margin	5,287,199	5,368,008
Other Income	1,931,369	1,954,120
Income Before Operating Expenses	7,218,568	7,322,128
Operating Expenses		
Employee Salaries and Benefits	3,267,891	3,980,355
Other Operating Expenses	3,100,594	2,664,617
	6,368,485	6,644,972
Operating Income	850,083	677,156
Current and Future Income Taxes	141,791	96,356
Net Income	708,292	580,800

OTHER COMPREHENSIVE INCOME (LOSS)

Change in unrealized gains (loss) on derivatives	147,054	(68,906)
Tax effect of change in unrealized gains on cash flow hedges	(19,001)	9,302
Other comprehensive income (loss) for the year	128,053	(59,604)
Comprehensive Income for the Year	836,345	521,196

See accompanying note

SUMMARY STATEMENT OF CASH FLOWS

For the year ended December 31	2020	2019
Cash flows from operating activities		
Net income	708,292	580,800
Non-cash operating activity adjustments	253,279	517,332
	961,571	1,098,132
Cash flows from financing activities		
Member deposits and share capital	20,005,567	4,593,581
Lease obligations	(266,361)	(260,575)
	19,739,206	4,333,006
Cash flows from investing activities		
Purchase of property, plant and equipment	(790,129)	(17,248)
Loans and mortgages to members	(56,386)	(972,415)
Investments	(7,763,594)	(2,628,612)
	(8,610,109)	(3,618,275)
Net increase in cash and cash equivalents	12,090,668	1,812,863
Opening cash and cash equivalents	5,509,687	3,696,824
Closing cash and cash equivalents	17,600,355	5,509,687

NOTE TO THE SUMMARY FINANCIAL STATEMENTS

For the year ended December 31, 2020

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, 2020 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:

- The summary financial statements include a statement for each statement included in the audited financial statements;
- information in the summary financial statements agrees with the related information in the audited financial statements;
- major subtotals, totals and comparative information from the audited financial statements are included; and
- 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

	2020	2019	2018	2017	2016
Income Statement (Year ended December 31)					
Interest Revenue	\$ 7,924,511	\$ 8,162,905	\$ 7,323,935	\$ 6,267,963	\$ 6,131,192
Interest and Dividend Expense	2,637,312	2,794,897	2,149,622	1,598,379	1,569,253
Net Interest Margin	5,287,199	5,368,008	5,174,313	4,669,584	4,561,939
Other Income	1,931,369	1,954,120	2,005,755	1,880,574	1,867,777
Total Income	7,218,568	7,322,128	7,180,068	6,550,158	6,429,716
Operating Expenses	6,368,485	6,644,972	6,386,851	6,889,486	6,103,759
Income before Taxes	850,083	677,156	793,217	(339,328)	325,957
Income Taxes	141,791	96,356	154,294	(50,459)	43,661
Net Income (Loss)	\$ 708,292	\$ 580,800	\$ 638,923	\$ (288,869)	\$ 282,296
Statement of Financial Position (at December 31)					
Personal Loans and Lines of Credit	\$ 7,906,658	\$ 11,423,280	\$ 12,649,757	\$ 15,261,017	\$ 17,177,968
Mortgages and Merit Lines	175,787,611	178,889,829	180,137,581	161,355,879	142,575,626
Syndicated and Commercial Loans	13,492,845	6,817,619	3,370,975	2,420,556	4,531,638
Accrued Interest Receivable	253,326	242,204	238,582	172,232	179,493
Loans and Mortgages to Members	197,440,440	197,372,932	196,396,895	179,209,684	164,464,725
Cash and Investments	44,124,276	24,253,706	19,779,028	20,302,104	17,615,052
Other Assets	3,587,077	2,833,056	2,454,479	3,099,689	3,558,173
Total Assets	\$ 245,151,793	\$ 224,459,694	\$ 218,630,402	\$ 202,611,477	\$ 185,637,950
Members Chequing and Savings	\$ 104,113,080	\$ 83,399,551	\$ 79,359,856	\$ 73,070,064	\$ 71,399,751
Term Deposits	43,403,414	46,342,351	48,139,043	37,326,152	26,759,805
Tax Free Savings Accounts	30,788,732	27,079,282	25,044,502	22,420,955	18,985,082
Registered Deposits	50,786,599	52,233,025	51,860,243	47,838,560	49,212,296
Accrued Interest	972,439	1,024,372	958,997	674,471	606,148
Total Members Deposits & Shares	230,064,264	210,078,581	205,362,641	181,330,202	166,963,082
Membership Shares	700,451	732,500	789,484	898,105	922,859
Other Liabilities	2,071,601	2,169,481	1,520,341	10,053,197	7,071,893
Members' Equity	12,315,477	11,479,132	10,957,936	10,329,973	10,680,116
Total Liabilities and Equity	\$ 245,151,793	\$ 224,459,694	\$ 218,630,402	\$ 202,611,477	\$ 185,637,950
Annual Balance Sheet Asset Growth	9.22%	10.78%	7.91%	9.14%	8.04%
Other Items under Administration	\$ 73,061,230	\$ 70,641,607	\$ 66,225,824	\$ 74,522,624	\$ 67,390,903

BOARD OF DIRECTORS

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

Chair.....Vince Paglia2023	Director.....Paul Lahaie.....2023
Vice Chair.....James Cardwell.....2022	Director.....Andrew Leal2021
Secretary.....Ross Holland2021	Director.....Lori Muzak-McComb.....2022
Director.....Juanita Gledhill.....2022	Director.....Michael Webber2021
Director.....Oscar Husslage2023	

STAFF (at time of printing)

Yolanda Battiston	Melissa Fraser	Diana McDermid	Kelly Smith
Kate Blenkarn	Rita Fredson	Maryann Miskic	Will Stennett
Debbie Bolt	Nora Gefucia	Jason Moran	Jennifer Swing
Ann-Marie Brown	Daniella Giannini	Gisele Pinard	Brenda Theriault
Tracy Cain	Kitti Kiss	Corey Pitre	Tonia Tirabassi
Rose Mary Cocco	Leslie Lawson	Heather Pye	Jennifer To
Nancy Cooper	Cassandra Lefterys	Satnam Rakkar	Greg Weber
Ryan Cowden	Kim Livingstone	Janice Rempel	Greg Welsh
Remo D'Aloisio	Emma Lyall	Laura Sabatino	Michael Wilson
Gale DeWitt	Crystal Marion	Ruth Salmeron	
Lew Figol	Jodi Mattyasovszky	Christina Shields	

Thank you for celebrating
our **86th AGM** with us!

2020 COMMUNITY SUPPORT

During 2020 HMECU was an advocate in providing sponsorships, donations & gifts of **over \$48,000** 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

Brantford Professional
Firefighters Association

Brantford Food Bank

Burlington Food Bank

Food4Kids Hamilton

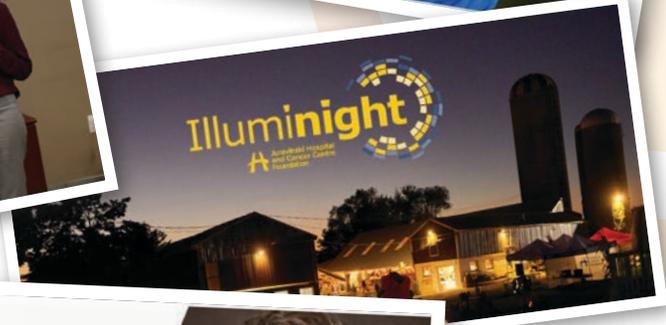
Hamilton Food Share

Hamilton Health Sciences
Foundation

Hamilton Out of the Cold

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

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