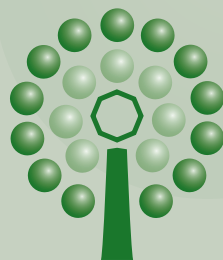


SINCE 1954

GODERICH COMMUNITY CREDIT UNION

2009 ANNUAL REPORT

www.gccu.on.ca



Goderich Community
Credit Union LIMITED

2009 ANNUAL GENERAL MEETING



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2009 Annual General Meeting of members of the Goderich Community Credit Union Limited will be held Wednesday, November 25th, 2009, at 7:00 p.m., at Saltford Valley Hall, R.R. #4, Goderich, Ontario, for the purpose of receiving Financial Statements and reports for the year ending September 30th, 2009, election of Directors and transacting any other business of an Annual General Meeting.

AGENDA

1. Chairman's Welcome
2. Memorium
3. Minutes of the 2008 Annual General Meeting
4. Board and Management Report
5. Audit Committee Report
6. Loan Manager's Report
7. Auditor's Report
8. Unfinished Business
9. New Business
10. Nominating Committee Report
11. Election of Directors
12. Appointment of Auditors for 2010
13. Director Honourariums
14. Further Comments/Questions
15. Door Prizes
16. Adjournment
17. Social

2009 IN MEMORIUM



**Our deepest sympathy is extended to the families and friends of
members of our Credit Union, who have passed away since the last Annual General Report.**

Lola Atkinson

Kenneth Burns

James Robb

Sydney Lawson

Margaret Evans

Robert Boak

Marjorie Moore

Gertrude Hill

Jennie Heykoop

James Prest

James Baird

Frank Baer

J William Smith

Grant Curran

Shirley O'Brien

Anna Peters-Gagel

Stanley Whiteman

Gordon Anderson

Arnold Lamb

James Slater

Basil Hall

Wallace Chalmers

Norman Hoy

Evan Smyth

Margretta Mullen

William German

Roger Noble

James Remington

Douglas Thom

Lily Hart

Keith Cutt

Looking back with memories,
Upon the path you trod,
We bless the time we had with you,
And leave the rest with God.

~author unknown~

2009 BOARD & MANAGEMENT REPORT

We are extremely pleased to present our 2009 Annual Report and detail all of the impressive achievements we have accomplished together during the past year.

Economic uncertainty continues to dominate the headlines but we, at Goderich Community Credit Union, have weathered those difficulties with impressive management protocol, incisive financial policies and inclusive relationships between our membership and staff. As a result, the Credit Union has surpassed expectations and recorded one of our most successful years in terms of growth. Our Credit Union has now been upgraded from a Class 1 to a Class 2 rating.

RATES, REVENUE & RESERVES

- The Board declared a dividend of 1.50% on all Canadian dollar savings accounts and .50% on US dollar savings accounts
- Total growth of 14% of assets over 2008 from \$44,936,550 to \$51,160,845
- Revenue remains consistent
- Capital Reserves remain well above regulatory requirements ensuring that we sustain a strong, viable Credit Union

REVIEWING 2009

During 2009 many residents and businesses in Goderich and the surrounding area dealt with financial hardship. It was an especially difficult time when a key industry slowly began to close down production. Throughout, at Goderich Community Credit Union, we stood firm in our commitment to serve our community and together we weathered the storm. Our financial results are particularly gratifying this year because it reinforced the principle that "people helping people" through financial partnerships was the best way to achieve success for us all.

In a year when interest rates were at record lows, our dividend of 1.50% on Canadian dollar savings accounts is even more significant when compared to the past year's average one-year GIC rates of .97%. We also provided members with several investment options for the new Tax Free Savings Account with no service or annual fees attached.

At GCCU, we consider ourselves an integral part of the Goderich community, so we're always looking for ways to make a tangible contribution and, as usual, we've been busy.

Below are some highlights:

- Staff Fundraising – activities included Hotdog Day as well as popcorn and book sales. Proceeds from these activities went to support the Huron County Christmas Bureau, St. Vincent de Paul, the Salvation Army and the Kids to Camp program.
- Corporate Support – supports many valuable local organizations in their fundraising efforts which include organized sports activities for the youth in our community, such as soccer, baseball, hockey, ringette and skating programs. This year, a new corporate donation was granted to the Huron-Perth Food Bank, while continued annual donations were made to the Mind and Body Campaign, Medical Clinic, CT Scanner Campaign, Habitat for Humanity and Children's Festival.
- Students – we continue to offer our Annual Scholarship Program at Goderich District Collegiate Institute and to participate in our local co-op student placement program.

RENEWING

We were finally able to complete our connection to The Exchange Network of ATMs in November 2009. With the final tests completed, members will be able to make deposits, withdrawals, transfers and balance inquiries, without any surcharge, at any of the over 2,200 participating ATMs across Canada that display The Exchange logo. As well members will have access to The Accel/Exchange Network in the United States that will permit retail purchases.

The Deposit Insurance Corporation of Ontario changed its policy in regard to insuring Registered Plans held at Ontario credit unions. Insurance Coverage is now unlimited for each type of registered plan held by a member. This includes RESPs, RRIFs, RRSPs and the new Tax Free Savings Accounts.

REVITALIZING

The Government of Ontario revised the Credit Unions and Caisses Populaires Act. As a result we will be holding a special meeting of the membership in the spring to present for approval and adoption, new by-laws which we are required to change.

As we continue to grow, we have planned to make renovations to our lower level so that we can serve our members even better. The current design has served us well, but the large floor space is no longer required as more of our members choose to conduct their financial transactions using electronic methods like ATMs and Internet banking. We will use the area to create more office space for individual consultations and also to update the counter service area.

REWARDING

In closing we want to leave you with this message. We feel strongly that a community is not just bricks and mortar -- the homes, stores and businesses that line our streets. It is the people that stand collectively together and help one another. That is the founding principle of credit unions and one that we embrace in every service that we offer, in every financial transaction that we process and in every member that comes to us for advice and assistance. It has meant success and rewards for us all. So, thank you to our members for your continued support and to our dedicated staff, board of directors and our corporate secretary, for their hard work and committed service.

Sincerely
Lawrence Lassaline, Chairman
Sandy Wilson, CEO

2009 BOARD OF DIRECTORS



*** LAWRENCE
LASSALINE**
Chairperson



DAVID GERMAN
Vice Chairperson



*** MURRAY ROSS**



BOB DURNIN



DIANE DeWINTER



ERIC GOSSE



JOANNE BRUNK



BARB LASSALINE
Corporate Secretary

**Three year terms expire*

Mission Statement

“To be a community leader,
providing quality services to our members,
through well-managed growth,
based on sound financial decisions.”

2009 AUDIT COMMITTEE REPORT

The Credit Union's Audit Committee is a committee of the Board of Directors and operates pursuant to Section 125 of the Credit Unions and Caisses Populaires Act, 1994. The Committee consists of three directors, and its mandate covers all of the duties that are specified to be performed by the Audit Committee in the Regulations to the Act. The Audit Committee is the principal communication link between the External Auditor and the Board of Directors.

The Audit Committee meets at least quarterly to ensure that, on an annual basis, the following duties will be performed and appropriate actions taken if necessary. This past year, the Audit Committee held eight meetings, resulting in the following recommendations to the Board of Directors:

- Acceptance of the annual review and amendments to the Structural Risk Management Policy, Liquidity Risk Management Policy, Restricted Party Policy, Credit Risk Management Policy, Capital Management Policy and Disaster Recovery Plan.
- Acceptance of the Auditor's Engagement Letter and the qualifications of Doug Scholl and his firm of Famme & Co. Professional Corporation.
- Acceptance of the quarterly measurement of the Capital Calculation, Asset/Liability Management Reporting (Shock Test Value and Balance Sheet Mix/Growth), Structural Risk (Maximum Balance Sheet Categories) and Protection of Personal Information Report.
- Acceptance of the Annual Business Plan and Budget and quarterly budget review to check for any material variance between budget and actual.
- Acceptance of the Credit Union's audited Financial Statement, Management Letter and Scope of the Audit.

The Committee receives 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 to enhance 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 Regulations thereto.

On behalf of the Audit Committee,

Joanne Brunk, Chair

Bob Durnin

Eric Gosse

2009 LOAN MANAGER REPORT

PERSONAL LOANS

- up to \$65,000
- completely open for pre-payment
- simple interest
- OAC

MORTGAGES

- up to \$375,000
- up to 95% of the value of your home
- open and closed mortgages
- weekly payments
- OAC

HOME OWNER'S LINE OF CREDIT

- up to \$375,000
- OAC

OVERDRAFT PROTECTION

- up to \$2,500
- OAC

LINE OF CREDIT

- up to \$65,000
- OAC

STUDENT LINE OF CREDIT

- up to \$20,000 at prime
- OAC

BRIDGE FINANCING

- up to \$375,000
- OAC

During the current fiscal year, October 1st, 2008 to September 30th, 2009, the Loan Department approved 478 applications totalling \$11,286,020. A total of 24 applications were declined. There is 1 loan over 90 days in arrears amounting to \$22,284.00.

Loans were disbursed as follows:

	2009	2008
Conventional Mortgage	\$3,293,811	\$1,811,908
Low Down Payment Mortgage	1,827,584	2,313,674
Collateral Mortgage	2,541,528	2,110,735
Secured Line of Credit	102,500	100,000
Line of Credit	499,000	513,900
Student Line of Credit	493,490	170,810
Overdraft Protection	40,075	38,280
Variable Rate Loan	2,446,863	2,480,521
Fixed Rate Loan	41,169	72,332
Miscellaneous - Bridge Financing	0	418,000
	\$11,286,020	\$10,030,160

Respectfully submitted,

K. McDougall
Loan Manager

2009 STAFF AT GCCU



SANDY WILSON
Chief Executive
Officer



CAROL LOVETT
Administration/
Investments



KIM McDOUGALL
Loan Manager



JOANNE MOORE
Loan/Investment
Officer



SANDRA HALL
Loan/Investment
Officer



**SHANNON
BOSCH**
Financial Advisor



BEV O'BRIEN
Receptionist/MSR



MARGIE YOUNG
Member Service
Representative/
Supervisor



LORI SALVERDA
Member Service
Representative



DENISE MOULTON
Member Service
Representative



BARB JEFFREY
Member Service
Representative



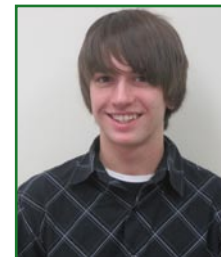
DEAN DAER
Member Service
Representative



PAT ARMSTRONG
Member Service
Representative



ANNALISE WENDLER
Member Service
Representative



BEN VANSTONE
Member Service
Representative

2010 NOMINATIONS

The Governance Committee, consisting of David German, Diane DeWinter, Bob Durnin & Eric Gosse has made the nominations listed below for two vacancies on the Board of Directors that will be filled by acclamation at the Annual General Meeting. In accordance to GCCU's By-law No. 7.12 (a), there will be no further nominations from the floor at the Annual General Meeting.

Nominated for three year terms:

Murray Ross

Lawrence Lassaline



MURRAY ROSS

- Goderich Community Credit Union board member and several other committees for 18 years
- Graduate of the Credit Union Director's Achievement Program
- Boy Scouts of Canada and past member of Knox Presbyterian Church Group Committee
- Employee of the Ministry of Children and Youth Services
- 30+ years in this community, married to Lyn with 1 child and 7 grandchildren



LAWRENCE LASSALINE

- Goderich Community Credit Union board member and several other committees for 9 years
- Graduate of the Credit Union Director's Achievement Program
- Past board member of WOFPA and Chair of the Agricultural Association
- Employee of Sifto Canada
- Lifelong resident of this community, married to Leslie with 3 children and 3 grandchildren

AUDITORS' REPORT

Famme & Co.

Professional Corporation

To the Members of Goderich Community Credit Union Limited

Goderich, Ontario

We have audited the balance sheet of **Goderich Community Credit Union Limited** as at **September 30, 2009** and the statements of income, undivided earnings and general reserve and cash flows for the year then ended. These financial statements are the responsibility of the Credit Union's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Credit Union as at **September 30, 2009** and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Professional Corporation

Chartered Accountants

Authorized to practise public accounting by

The Institute of Chartered Accountants of Ontario

Stratford, Ontario

October 13, 2009

2009 FINANCIAL REPORTS

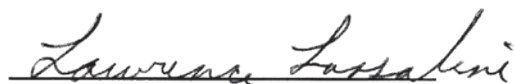
GODERICH COMMUNITY CREDIT UNION


Balance Sheet - Assets

As at September 30, 2009

	2009	2008
Cash Resources (Note 1(a))		
Cash on hand and in bank	\$ 2,115,144	\$ 2,170,123
Short-term investments (Note 12)	<u>10,115,848</u>	<u>5,643,224</u>
	\$ 12,230,992	<u>7,813,347</u>
Accrued Interest Receivable		
Short-term investments	122,870	53,193
Personal loans	10,390	12,378
Mortgage loans	<u>40,332</u>	<u>35,372</u>
	173,592	<u>100,943</u>
Loans to Members		
Personal loans	7,072,814	7,837,673
Residential mortgage loans	<u>31,167,320</u>	<u>28,515,980</u>
	38,240,134	36,353,653
Less: Allowance for impaired loans (Notes 1(b) and 7)	<u>294,531</u>	<u>245,170</u>
	37,945,603	<u>36,108,483</u>
Other Assets		
Income taxes receivable	835	62,318
Prepaid expenses	20,776	17,103
Capital assets (Notes 1(c) and 5)	788,547	833,856
Deposit - Association of Credit Unions of Ontario (Note 4)	<u>500</u>	<u>500</u>
	810,658	<u>913,777</u>
	\$ 51,160,845	<u>\$ 44,936,550</u>

Approved on Behalf of the Board:


 Director


 Director

2009 FINANCIAL REPORTS

GODERICH COMMUNITY CREDIT UNION

Balance Sheet - Liabilities

As at September 30, 2009

	2009	2008
Current Liabilities		
Accounts payable and accrued liabilities	\$ 69,740	\$ <u>92,303</u>
Deposits of Members		
Personal chequing accounts	\$ 4,542,796	4,116,929
Term deposits	8,740,994	8,089,684
Registered retirement savings plan deposits	8,021,543	5,712,868
Registered retirement income funds	1,733,748	1,705,737
Tax free savings accounts	497,750	-
Savings	<u>22,851,740</u>	<u>20,594,712</u>
	46,388,571	40,219,930
Add: Accrued interest on deposits	<u>592,655</u>	<u>808,930</u>
	<u>46,981,226</u>	<u>41,028,860</u>
	47,050,966	<u>41,121,163</u>
Members' Equity		
Membership shares (Note 6)	201,020	201,470
General reserve (Note 1 (d))	3,613,911	3,281,337
Undivided earnings	<u>294,948</u>	<u>332,580</u>
	<u>4,109,879</u>	<u>3,815,387</u>
	\$ <u>51,160,845</u>	\$ <u>44,936,550</u>

(See Accompanying Notes to the Financial Statements)

Goderich Community Credit Union - 2009 Annual Report

2009 FINANCIAL REPORTS

GODERICH COMMUNITY CREDIT UNION

Statement of Undivided Earnings and General Reserve

For the year ended September 30, 2009

Undivided Earnings

	2009	2008
Balance - beginning of year	\$ 332,580	\$ 331,461
Net income for the year	294,942	331,119
Transfer to general reserve	<u>(332,574)</u>	<u>(330,000)</u>
Balance - end of year	\$ <u>294,948</u>	\$ <u>332,580</u>

General Reserve

Balance - beginning of year (Note 1(d))	3,281,337	2,951,337
Transferred from undivided earnings	<u>332,574</u>	<u>330,000</u>
Balance - end of year	\$ <u>3,613,911</u>	\$ <u>3,281,337</u>

(See Accompanying Notes to the Financial Statements)

Goderich Community Credit Union - 2009 Annual Report

2009 FINANCIAL REPORTS

GODERICH COMMUNITY CREDIT UNION

Statement of Income

For the year ended September 30, 2009

	2009	%	2008	%
Income				
Interest on personal loans	\$ 453,813		\$ 807,799	
Interest on mortgage loans	1,468,710		1,369,190	
Interest on investments	258,566		223,538	
Service charges	160,525		172,191	
Commissions	40,840		49,344	
Exchange gain	22,671		18,771	
	<u>2,405,125</u>	100.0	<u>2,640,833</u>	100.0
Expenses				
Loan Insurance				
Loan insurance premiums paid	<u>12,872</u>	0.5	<u>12,564</u>	0.5
Remuneration to Staff				
Salaries	470,146		486,906	
Employee benefits	<u>121,584</u>		<u>120,546</u>	
	<u>591,730</u>	24.6	<u>607,452</u>	23.0
Occupancy Cost				
Amortization - building and parking lot	22,891		22,891	
Janitor and maintenance	32,173		25,162	
Municipal taxes	20,063		21,539	
Utilities	<u>8,633</u>		<u>8,456</u>	
	<u>83,760</u>	3.5	<u>78,048</u>	3.0
Other Administrative Expenses				
(Schedule 1)	<u>452,793</u>	18.8	<u>461,342</u>	<u>17.5</u>
Total expenses	<u>1,141,155</u>	47.4	<u>1,159,406</u>	<u>44.0</u>
Income before return to members	<u>1,263,970</u>	52.6	<u>1,481,427</u>	56.0
Return to Members				
Interest on members' deposits	341,487		319,038	
Interest on R.R.S.P.	220,314		206,626	
Interest on R.R.I.F.	62,746		68,824	
Interest on T.F.S.A.	8,510		-	
Interest on savings (Note 9)	<u>291,806</u>		<u>504,299</u>	
	<u>924,863</u>	38.5	<u>1,098,787</u>	<u>41.6</u>
Income before income taxes	339,107	14.1	382,640	14.4
Provision for income taxes (Note 1(e))	<u>44,165</u>	1.8	<u>51,521</u>	<u>1.9</u>
Net income for the year	\$ <u>294,942</u>	<u>12.3</u>	\$ <u>331,119</u>	<u>12.5</u>

(See Accompanying Notes to the Financial Statements)

Goderich Community Credit Union - 2009 Annual Report

2009 FINANCIAL REPORTS

GODERICH COMMUNITY CREDIT UNION

Statement of Cash Flows

For the year ended September 30, 2009

	2009	2008
Cash Provided By (Used In):		
Operating Activities		
Net income for the year	\$ 294,942	\$ 331,119
Items not requiring an outlay of cash		
Amortization	60,238	67,047
Decrease (increase) in income taxes receivable	61,483	(62,318)
Decrease (increase) in interest receivable	(72,649)	11,779
Decrease (increase) in prepaid expenses	(3,673)	1,648
Increase (decrease) in provision for impaired loans	49,361	99,643
Increase (decrease) in accounts payable and accrued liabilities	(22,563)	29,661
Increase (decrease) in interest payable on members' deposits	(216,275)	(12,265)
Increase (decrease) in income taxes payable	<u>-</u>	<u>(31,583)</u>
	\$ 150,864	434,731
Member Activities		
Reduction in loans (additional loans) to members, net of principal payments on existing loans	(1,886,481)	47,527
Increase (decrease) in members' deposits		
Personal chequing accounts	425,867	(989,264)
R.R.S.P.	2,308,675	656,982
R.R.I.F.	28,011	24,643
T.F.S.A.	497,750	-
Savings	2,257,028	(106,307)
Membership shares	(450)	(23,660)
Term deposits	<u>651,310</u>	<u>930,666</u>
	4,281,710	540,587
Investing Activities		
Purchase of capital assets	<u>(14,929)</u>	<u>(93,448)</u>
Increase in cash and cash equivalents	4,417,645	881,870
Cash and cash equivalents - beginning of year	<u>7,813,347</u>	<u>6,931,477</u>
Cash and cash equivalents - end of year	\$ <u>12,230,992</u>	\$ <u>7,813,347</u>
Cash and cash equivalents consist of:		
Cash on hand and in bank	2,115,144	2,170,123
Short-term investments	<u>10,115,848</u>	<u>5,643,224</u>
	\$ <u>12,230,992</u>	\$ <u>7,813,347</u>

Interest paid during the year amounted to \$ 1,141,138 (2008 - \$ 1,111,052). Income taxes paid (refunded) during the year amounted to (\$ 23,758) (2008 - \$ 145,363).

(See Accompanying Notes to the Financial Statements)

Goderich Community Credit Union - 2009 Annual Report

2009 FINANCIAL REPORTS

GODERICH COMMUNITY CREDIT UNION

Notes to the Financial Statements

For the year ended September 30, 2009

1. Accounting Policies

These financial statements have been prepared from information available within the guidelines of generally accepted accounting policies summarized below:

(a) Cash Resources

Cash resources consist of cash on hand and deposits maturing or callable within one hundred days.

(b) Allowance for Impaired Loans

The allowance for impaired loans has been computed in accordance with standards outlined in ByLaw #6 of the Deposit Insurance Corporation of Ontario.

This method applies an analysis and review of the specific loans in question, varying with the extent of overdue payments, to the portion of the principal balance not covered by the realizable value of the collateral. The allowance for losses on loans is adjusted to the required amount by a net charge or credit to net income for the year.

(c) Capital Assets and Amortization

Capital assets are stated at acquisition cost and amortization is provided on the straight-line method over the following number of years:

Building	- 40 years
Furniture and fixtures	- 20 years
Computer	- 7 years
Computer software	- 7 years
Parking lot	- 10 years
Normal maintenance and repair expenditures are expensed as incurred.	

(d) General Reserve

The Credit Union has set up a general reserve as a contingency reserve to cover unforeseen losses and other contingencies. This reserve is included as part of the capital requirement that the Credit Union is required to maintain under Section 84 of the Credit Unions and Caisses Populaires Act, 1994 (see Note 8).

(e) Income Taxes

The Credit Union uses the liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized.

(f) Use of Estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that could affect amounts reported as assets, liabilities, revenues and expenses. Due to measurement uncertainty, results could differ from those estimates.

(g) Financial Instruments

Financial instruments are items which are cash, rights to receive cash or obligations to pay cash at a future date. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from financial instruments. The fair value of these instruments approximate their carrying value.

2009 FINANCIAL REPORTS

GODERICH COMMUNITY CREDIT UNION

Notes to the Financial Statements

For the year ended September 30, 2009

1. Accounting Policies (continued)

(h) Financial Assets and Liabilities

CICA Handbook Section 3855 establishes standards for recognizing and measuring financial assets and financial liabilities. It requires that financial assets and liabilities be recognized on the Balance Sheet when the Credit Union becomes a party to the contractual provisions of a financial instrument. All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on whether the financial instrument has been classified as held for trading, available for sale, loans and receivables, or other financial liabilities.

Held to Maturity

Held to maturity investments are financial assets with fixed or determinable payments and fixed maturities that the Credit Union's management has the positive intention and ability to hold to maturity. These investments are shown on the financial statements at an amortized cost using the effective interest method. Financial instruments included in this category are short-term deposits and guaranteed investment certificates.

Held for Trading

Held for trading investments are financial assets that are quoted in an active market and are being actively traded. These instruments are recognized initially at fair value and transaction costs are taken directly to the Statement of Income. They are subsequently measured at fair value and gains and losses arising from changes in fair value of these instruments are recorded in the Statement of Income as market value adjustment on held for trading investments. During the year, the Credit Union did not hold any financial assets that were classified as held for trading.

Available for Sale

Available for sale assets are non-derivative financial assets that are designated as available for sale or are not categorized into any of the other categories. They are initially recognized at fair value including direct and incremental transaction costs. They are subsequently held at fair value with gains and losses arising from changes in fair value being recognized in other comprehensive income in the Statement of Comprehensive Income. During the year, the Credit Union did not hold any financial assets that were classified as available for sale.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable repayment dates, usually with interest, that are not debt securities or instruments classified as held for trading on initial recognition.

Member loans are classified as loans and receivables. These instruments are initially recognized at fair value including direct and incremental transaction costs. They are subsequently valued at amortized cost using the effective interest method less any provision for impairment.

Other Financial Liabilities

Other financial liabilities are non-derivative financial liabilities and include member deposits, membership shares and accounts payable. These instruments are initially recognized at fair value. They are subsequently measured at amortized cost using the effective interest method.

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted bid or asking prices, as appropriate, in the most advantageous active market for the instrument to which the Credit Union has immediate access.

Fair values determined using valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discounted rates. In determining those assumptions, we look primarily to external readily observable market inputs including interest rate yield curves, currency rates and price and rate volatilities, as applicable.

2009 FINANCIAL REPORTS

GODERICH COMMUNITY CREDIT UNION

Notes to the Financial Statements

For the year ended September 30, 2009

1. Accounting Policies (continued)

(i) Foreign Currency Translation

The Credit Union follows the temporal method when translating foreign currency transactions. Under this method, monetary assets and liabilities have been translated at the year end exchange rate. Non-monetary assets have been translated at the rate of exchange prevailing at the date of the transaction. Foreign exchange gains and losses on current monetary assets and liabilities are included in income for the year.

(j) Revenue Recognition

Revenue from member loans, investments and the provision of services to members is recognized when earned, specifically when amounts are fixed or can be determined and the ability to collect is reasonably assured.

2. Future Accounting Change

The Accounting Standards Board has confirmed that all publicly accountable enterprises will have to comply with International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. Management understands there to be differences between current Canadian GAAP and IFRS and have undertaken a project to understand the possible future effects on the financial statements.

3. Line of Credit Facility

The Credit Union has available a \$ 300,000 line of credit facility. The line of credit facility bears interest at prime plus 1/4% and is secured by a general security agreement. A letter of credit in favour of Central 1 Credit Union in the amount of \$ 250,000 is outstanding at year end.

4. Membership in Association of Credit Unions of Ontario

Since the 1985 fiscal year, the Credit Union has been a member of the Association of Credit Unions of Ontario. The membership deposit of \$ 500 has been shown under other assets on the balance sheet.

5. Capital Assets

Capital assets are stated at cost and consist of the following:

	As at September 30, 2009			2008
	Cost	Accum. Amort.	Net Book Value	Net Book Value
Land	\$ 144,731	\$ -	\$ 144,731	\$ 144,731
Parking lot	132,288	117,956	14,332	22,241
Building	599,287	259,650	339,637	354,619
Furniture and fixtures	328,007	194,774	133,233	136,992
Computers and software	286,684	130,070	156,614	175,273
	<u>\$ 1,490,997</u>	<u>\$ 702,450</u>	<u>\$ 788,547</u>	<u>\$ 833,856</u>

6. Membership Shares

As a requirement for membership in the Credit Union, all members 19 years of age and older are required to maintain on deposit with the Credit Union 10 shares with a cost of \$ 5 per share, totalling \$ 50, while members 18 years and under are required to maintain on deposit 4 shares with a cost of \$ 5 per share, totalling \$ 20. The aggregate of these deposits is shown under members' equity as membership shares.

2009 FINANCIAL REPORTS

GODERICH COMMUNITY CREDIT UNION

Notes to the Financial Statements

For the year ended September 30, 2009

7. Allowance for Impaired Loans

The allowance for impaired loans reflects potential losses on personal loans and the activity in the account has been as follows:

	2009	2008
Balance - beginning of year	\$ 245,170	\$ 145,527
Loans (written off) recovered	(8,859)	-
	<u>236,311</u>	<u>145,527</u>
Increase in provision charged to income	<u>58,220</u>	<u>99,643</u>
Balance - end of year	\$ <u>294,531</u>	\$ <u>245,170</u>
Summary of allowance:		
Specific allowance		
Personal loans	22,284	31,208
Non-specific allowance		
Personal loans	<u>272,247</u>	<u>213,962</u>
	<u>\$ 294,531</u>	<u>\$ 245,170</u>

The allowance for impaired loans consists of an allowance for specific impaired loans and a provision for potential losses on other loans. The specific impaired loans are identified in accordance with the directives from D.I.C.O. and have a gross principal balance of \$ 22,284 (2008 \$ 31,208) which excludes the net realizable value of security held on those impaired loans.

8. Capital Management and Requirements

Capital management is a vital part of the Credit Union's financial administration. Proper and responsible capital management is a regulatory requirement and is necessary to ensure solvency and a high level of member confidence.

The Credit Union's objectives when managing capital are:

- to have an adequate quantity, quality and composition of capital that reflects the inherent risks of the member institution and supports the current and planned operations.
- to ensure adequate capital for distribution of dividends and redemptions of capital instruments to members.

The Credit Union's capital is derived from minimum membership share requirements (as determined by the bylaws of the Credit Union) and Undivided Earnings (including unencumbered reserves).

The Credit Union manages capital in accordance with the guidelines set out in their policies and procedures manual. These guidelines require, among other things, the Credit Union to adhere to all regulatory requirements under the Credit Unions and Caisse Populaires Act, 1994, regularly measure and monitor the Credit Union's capital position and provide adequate capital to maintain solvency and support new initiatives.

Established capital targets will be measured in two ways: capital, as a percentage of total assets as determined in the Regulations and liquidity, as a percentage of short-term investments to members' investments.

Regulations pertaining to Section 84 of the Credit Unions and Caisses Populaires Act, 1994 require that a Credit Union shall maintain prescribed percentages of capital and liquidity. As at September 30, 2009, the Credit Union's percentages were as follows:

2009 FINANCIAL REPORTS

GODERICH COMMUNITY CREDIT UNION

Notes to the Financial Statements

For the year ended September 30, 2009

8. Capital Management and Requirements (continued)

	Required	Actual	
		2009	2008
Regulatory Capital	5.00%	8.57%	8.97%
Liquidity	10.00%	26.37%	19.43%

Accordingly, the Credit Union has met its capital and liquidity requirements.

9. Members' Savings

The Board of Directors has approved an interest payment of 1.50% on members' savings and 0.50% on members' U.S. savings totalling \$ 291,806 in 2009 (2008 - 2.75% on members' savings and 0.50% on members' U.S. savings totalling \$ 504,299). An accrual for the payment of this amount has been included on the income statement under interest on savings.

10. Restricted Party Transactions

Restricted parties include all directors, previous year directors and officers, as well as their spouses and immediate dependent family members. As at September 30, 2009, the Credit Union had loans, including personal loans, lines of credit, secured lines of credit and residential mortgages of \$ 1,343,594 (2008 \$ 1,307,860) advanced to restricted parties. This amount is included in loans to members on the balance sheet. None of the loans to restricted parties were impaired as at September 30, 2009.

The lending procedures of these loans are no more favourable than those offered to members in the normal course of business. All loans to restricted parties must be approved by at least two-thirds of the members of the board of directors. Employees, who may be eligible, are entitled to preferred rates on their loans as determined by the Credit Union policies and procedures.

11. Other Comprehensive Income

CICA Handbook Section 1530 establishes standards for reporting and displaying Comprehensive Income, which is comprised of net income and other comprehensive income. For the Credit Union, other comprehensive income represents the changes in Members' equity during the year that is attributable to unrealized gains and losses on financial assets classified as available for sale. During the year, the Credit Union did not hold any available for sale assets and, accordingly, there is no income or loss to be reported on the statement of other comprehensive income.

12. Investments

Investments Consist of:	2009		2008	
	Effective Rate		Effective Rate	
Held to maturity				
Guaranteed Investment Certificates	\$ 10,115,548	2.37 %	\$ 5,643,024	4.09 %
Co-operators General Insurance Company Shares	200	- %	200	- %
Central 1 Credit Union Shares	100	- %	-	- %
	<u>\$ 10,115,848</u>		<u>\$ 5,643,224</u>	

At year end, the short-term investments and guaranteed investment certificates totalling \$ 10,115,848 (\$ 5,643,224 - 2008) have been recorded at amortized cost using the effective interest method. As interest is accrued on these investments to year end, the reported cost plus accrued interest approximates fair value.

2009 FINANCIAL REPORTS

GODERICH COMMUNITY CREDIT UNION

Notes to the Financial Statements

For the year ended September 30, 2009

13. Financial Risk Management

The Credit Union believes that in keeping with the overall Credit Union philosophy to have appropriate and prudent policies, procedures and controls the financial risk of the institution will be effectively managed.

Credit Risk

Credit risk is the risk of financial loss due to a member failing to meet its obligations in accordance with contractual terms and arises from our direct lending activities.

The Credit Union's philosophy on granting credit is based on the understanding that it is a fundamental responsibility to consider, first and foremost, the safety of the institution and its depositors while being mindful that providing members with effective borrowing services is one of the Credit Union's core businesses. Funds are loaned, where applicable, to individual members 18 years of age and older for worthwhile purposes. Loans typically are based upon the demonstrated willingness and ability of the borrower to repay on schedule and upon various forms of security taken either directly or indirectly to safeguard the loan.

The loan portfolio is, as much as possible, diversified with the objective of spreading risk. Diversification relates to: authorized loan types, forms of security, geographic region and industry groupings.

The Credit Union has established appropriate and prudent limits or prohibitions on credit exposures, including: a limit on loans in aggregate to any one borrower or group of associated borrowers; restricted party loans; maximum size of a single loan by type; and loans in aggregate for each loan type. The current limit on loans is \$ 65,000 for personal loans and \$ 375,000 for mortgage loans, to any one borrower or group of associated borrowers.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Market Risk

Market risk is the risk that the Credit Union's ability to meet business objectives will be adversely affected by volatility in market factors. Market factors include three types of risk: currency risk, interest rate risk and equity risk.

The Credit Union has established a framework of market risk management which ensures that the Credit Union faces limited exposure to all material risks. The Credit Union's investment policy operates within the regulatory requirements of the Credit Unions and Caisses Populaires Act, 1994 (sections 198 to 202), the Regulations (sections 66 to 72 of Regulation 76/95) and D.I.C.O.'s Standard of Sound Business and Financial Practices.

a) Currency Risk

Currency risk is not considered significant at this time as the Credit Union does not engage in any active trading of foreign currency or hold significant foreign currency denominated short-term investments for an extended period. Currency risk at the Credit Union is that members can maintain U.S. dollar deposit accounts for which the Credit Union will generally hold an equivalent amount of U.S. denominated assets in the form of cash or short-term investments. The impact of a 1% strengthening (weakening) of the Canadian dollar against the U.S. dollar would result in a decrease (increase) in net earnings of \$ 143 as at September 30, 2009, all other things being equal.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure risk.

2009 FINANCIAL REPORTS

GODERICH COMMUNITY CREDIT UNION

Notes to the Financial Statements

For the year ended September 30, 2009

13. Financial Risk Management (continued)

b) Interest Rate Risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

In managing interest rate risk, the Credit Union relies primarily upon their "matching" policy of the term of the loans to members to the term of the deposits from members. The loans to members and deposits of members are issued at prevailing interest rates at the time of their issuance and are principally held until the stated maturity of the particular loan. Therefore, changes to the fair market value of assets will be offset by a similar change in liabilities due to an interest rate change. The Credit Union also limits the term of both the loans to members and deposits from members to a maximum term of five years which reduces their risk from long-term rate fluctuations. The impact of a 50 basis points (1/2%) increase (decrease) in interest rates sustained for a one year period would (decrease) increase net interest income by \$ 38,120 at September 30, 2009.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure risk.

c) Equity Risk

Equity risk is the uncertainty associated with the valuation of assets arising from change in equity markets. The Credit Union is not currently exposed to this risk as they do not have any equity holdings in their investment portfolio.

Liquidity Risk

Liquidity risk is the risk that the Credit Union will be unable to pay obligations when they fall due, become unable to repay members when funds are withdrawn or become unable to meet commitments to lend money. To mitigate this risk, the Credit Union management have established a prudent target range for operational liquidity of between 12 to 18 percent of deposits and borrowings. This target range meets the regulatory minimum for gross liquid assets to total 10 percent of deposits and borrowings, in accordance with the Regulations (sections 16 to 21 of Regulation 76/95). As at September 30, 2009, the Credit Union's liquidity exceeded the required levels as disclosed in Note 8.

The Credit Union's risk management policies require it to maintain sufficient liquid resources to cover cash flow requirements, to retain member confidence in the Credit Union and to enable the Credit Union to meet all financial obligations. This is achieved through maintaining a prudent level of liquid assets. The Credit Union's policies require that no more than 50 percent of the operating liquidity portfolio may be invested for terms greater than 182 days and no more than 25 percent of the portfolio may be invested for more than one year. The Credit Union also maintains a borrowing facility with the Bank of Montreal of \$ 300,000 as a part of its liquidity management strategy as disclosed in Note 3.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure risk.

14. Subsequent Events

As at September 30, 2009, the Credit Union's total assets exceeded \$ 50 million. According to the regulations set by the Deposit Insurance Corporation of Ontario, effective October 1, 2009 the Credit Union is a Class 2 credit union.

2009 FINANCIAL REPORTS

GODERICH COMMUNITY CREDIT UNION

(Schedule 1)

Schedule of Other Administrative Expenses

For the year ended September 30, 2009

	2009	%	2008	%
Other Administrative Expenses				
Advertising	\$ 34,476		\$ 43,230	
Provision for impaired loans	58,220		99,643	
Bank charges	32,868		27,704	
Bonding insurance	21,076		20,820	
Credit Bureau fees	3,674		3,008	
Amortization - furniture and fixtures	13,402		13,262	
Amortization - computer	23,945		30,894	
Building insurance	3,648		3,544	
Legal and registration	6,607		5,150	
Director honourarium and expenses	11,429		12,557	
Committee expenses	5,494		4,643	
Conference, meetings and training	12,067		8,977	
Maintenance contract				
- computer equipment	40,524		45,274	
Office supplies	29,999		38,199	
Postage and courier services	13,666		12,967	
Auditors' fees	41,520		38,360	
R.R.S.P., R.R.I.F. and T.F.S.A. fees	9,166		6,356	
Sundry	11,446		5,572	
Telephone	4,342		4,150	
D.I.C.O. premium	32,494		32,403	
Canadian payments association fees	10,000		10,000	
Credit Union association fees	3,946		3,784	
Interac fees	4,616		2,698	
Financial services commission	2,172		3,281	
Member service fees	18,539		12,304	
Consulting fees	3,457		-	
Market value adjustment on held for trading financial instruments	-		(27,438)	
Total Other Administrative Expenses	\$ 452,793	18.8	\$ 461,342	17.5

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p.m.

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Noon