



# Charting our course

ANNUAL REPORT 2010



Starnews  
CREDIT UNION

## Vision Statement:

To be members' first choice for financial products, services and advice.

## Mission Statement:

We are committed to helping our members achieve their financial goals; encouraging and facilitating the development of our team; supporting our communities.

## Values Statement:

Starnews is Adaptable Responsive Committed and Co-operative (ARCC)

### Adaptable:

- We will expand opportunities by recognizing and responding to changes
- We will position products and services to attract the family unit
- We will embrace and be open to competitive trends

### Responsive:

- We will treat everyone with respect and fairness
- We will be responsive and sensitive to the diverse needs of our member
- We will embrace and be open to changes that will keep us competitive
- We will develop products and services for members and their families

### Committed:

- We are committed to service excellence
- We will encourage a team environment committed to open and honest communication at all levels to provide better service to our members
- We will be committed to bringing financial awareness and understanding to members so they may be financially independent

### Co-operative:

- We will operate in accordance with co-operative principles:
  - Voluntary and Open Membership
  - Democratic Member Control
  - Member Economic Participation
  - Autonomy and Independence
  - Education, Training and Information
  - Co-operation among Co-operatives
  - Concern for Community
- We will recognize our social responsibilities within our environment and community

## 61st Annual General Meeting Agenda March 24, 2011

### 1. Call meeting to order

Confirmation of quorum

### 2. Approve minutes of the March 25, 2010 Annual General Meeting

### 3. Election of Directors

### 4. Reports

Board of Directors Chair and  
Chief Executive Officer  
Credit Committee  
Audit Committee

### 5. Review of 2010 Financial Statements

### 6. New Business

Appointment of Auditors

### 7. Special Business

Consider name change to Luminus Financial  
Services & Credit Union Limited

### 8. Other Business

### 9. Adjournment

# Report of the Board of Directors Chair and Chief Executive Officer

## **Celebrating milestones**

The 2010 Annual Report will highlight some of the many milestones from the past year, and provide you with a summary of some bright things to come.

Our first milestone is something to be extremely proud of. Back in 1951, a group of Toronto Star employees created Starnews to help their co-workers, and today we celebrate 60 years of business in serving our members by providing a full-service financial institution whose vision is “To be our members’ first choice for financial products, services and advice.” A vision which has helped us celebrate our next milestone of welcoming, not one, but three other credit unions to the Starnews family.

In April 2010, we acquired the assets of the King-York Newsmen Credit Union, which served the employees of the Globe & Mail, then in August we acquired Air-Toronto Credit Union, which served the employees of Air Canada and its divisions, and then finally in October 2010 we acquired Campbell’s Credit Union, serving employees of the Campbell’s Corporation in Canada.

With those acquisitions we can now celebrate the fact that we have over \$51 million in assets and serve close 4,000 members. This milestone is one the board and management envisioned a few years ago when we applied to FSCO as a Class 2 Credit Union. We knew we would get here – we just didn’t think it would be this quick.

With the rapid growth, the expansion of our branch network, as well as the additional members, come many challenges such as technology upgrades, human resource changes, additional products and services, all of which we feel we are capable of addressing thanks to the experienced Board of Directors that you, our members, have elected to represent you.

## **As we chart our course**

You will agree that 2010 was a tremendous year, but we are not stopping there. As we chart our course for the future, the Board of Directors is asking our members to consider changing our name to Luminus Financial Services & Credit Union Limited. By making this change, we are positioning your credit union as a full-service financial institution that will provide “clearly better banking”. This new name and platform will also see us launch a new website with new features such as mobile text banking, a new product offering for businesses, and a new corporate office that will serve as the backbone for all administration to help our staff serve our members.

## **Conclusion**

In summary, 2010 was filled with many milestones and many challenges, but we moved ahead to finish the year with a good net income, increased assets, members, branches, and staff. We would like to take this opportunity to thank the staff and board of directors for their tireless efforts, but more importantly thank all our members for continuing to support your credit union. We hope that all of you, your families and friends will come to experience better banking at Luminus Financial.

Respectfully presented this 24th day of March 2011.



Michael Mozewsky  
Chair, Board of Directors



George De La Rosa BComm, FCUIC  
Chief Executive Officer

## 2010 Financial Results

### When compared to 2009 the following financial results were in achieved in 2010s:

- Cash resources increased to over \$4.6 million
- Loans to members increased to over \$41.8 million
- Member deposits increased to over \$45.5 million
- Total assets grew to over \$51.1 million
- Interest income increased to over \$2 million
- Net interest income increased to over \$1.3 million
- Net interest and other income increased to over \$1.6 million
- Retained earnings were \$2.4 million
- Regulatory capital on a leverage test ratio was 8.6%

### Member Rebates and Investment Share Dividends

As with every year, Starnews shares a portion of its profits with members through our Member Rebate Program as well as sharing our profits with members that purchased Investment Shares. For 2010 we will be sharing close to \$100,000 with members.

**Member Rebates:** Members that held a loan or mortgage with us will receive a rebate on the interest paid for those products of 2.00%.

**Investment Shares:** Members that held Investment Shares during 2010 will receive a dividend of 3.55%.

The rebates and dividends will be made to each eligible account no later than April 1, 2011.

## Credit Committee Report

The Credit Committee continued to serve the members of Starnews Credit Union and is pleased to share the following information with its members.

For the fiscal year of 2010, a total of 258 credit applications were approved and funded with a value of \$13,513,343.20. The following chart details the specific loan class and compares them to last year:

In 2010, a total of 78 applications were declined (compared to 52 applications in 2009) for reasons ranging from credit history to lack of ability to pay.

As at December 31, 2010 there were thirteen (13) loans in arrears for 90 days or more for a total of \$52,359.22 (compared seven (7) Loans in arrears for a total of \$22,877.84 in 2009). The reasons for not paying debt ranged from bankruptcy to lack of income due to unemployment.

2010	2009
120 Personal Loans for \$755,743.16	135 Personal Loans for \$1,580,894.59
27 Mortgages for \$5,514,707.41	15 Mortgages for \$2,954,882.50
23 Meritlines (Equity Lines of Credit) for \$3,274,400.00	19 Meritlines (Equity Lines of Credit) for \$2,689,000.00
39 Personal Lines of Credit for \$283,559.00	21 Personal Lines of Credit for \$197,000.00
25 Overdrafts for \$13,500.00	43 Overdrafts for \$22,000.00
1 Bridge Financing for \$37,965.77	1 Bridge Financing for \$105,450.00
7 Syndicated Commercial Mortgages for \$3,633,467.86	3 Syndicated Commercial Mortgages for \$1,116,759.17
0 Commercial Loans	0 Commercial Loans
Total Applications: 242 Total Value: \$13,513,343.20	Total Applications: 237 Total Value: \$8,665,986.26

The Credit Committee continues its board assigned role of approving all director and officer loans. The committee met at least once every quarter to review the credit union's lending decisions to ensure that members' deposits were being utilized to create income at an acceptable risk. The committee also provided management with valuable suggestions to apply to the everyday business of the credit union.

Respectfully presented this 24th day of March, 2011.

Credit Committee,



Michael Mozewsky  
Andrew Maund  
Susan Gouvianakis

## Report of the Audit Committee

Pursuant to section 125 of the Credit Unions and Caisses Populaires Act, 1994, the board of directors appointed a minimum of two (2) directors to the Audit Committee, a sub-committee of the board.

The Audit Committee met on a quarterly basis to carry out their duties as defined in the Act and as stipulated in the credit union's policies and procedures. The following were the duties performed by the Audit Committee during 2010:

- Reviewed complaints and issues concerning privacy and ensured compliance with the Personal Information Protection and Electronic Documents (PIPED) Act initiated in 2001. We can report that Starnews is in compliance with the legislation as of December 31, 2010.
- Reviewed results of the external audit services provided by Refford Lane Bates LLP.
- Reviewed the Starnews Disaster Recovery Plan that will ensure protection of the assets of Starnews and its members, in the event that unforeseen circumstances prevent normal operating conditions.
- Reviewed risk management policies and procedures of Starnews. This review pointed no major areas of weakness that require correction.
- Reviewed the policies, procedures and controls used by management to which relate to legislative compliance with particular focus on Capital, Liquidity Management, Investment and Interest Rate Risk.
- Reviewed regular reports provided by management to ensure that Starnews complies with the Proceeds of Crime (Money Laundering) and Terrorist Financing Act.
- On February 23, 2011 the Audit Committee met with the external auditors to review, discuss and approve the draft financial statements for the year ended December 31, 2010. A report was presented at the next regular meeting of the Board of Directors.

Respectfully submitted this 24th day of March 2011.

Audit Committee,



Paul Miller  
Michael Mozewsky  
Carlos Ferreira  
Glenn Pollinger

# BALANCE SHEET

AS AT DECEMBER 31, 2010

	2010	2009
<b>ASSETS</b>		
Cash resources	\$ 4,616,714	\$ 4,057,644
Investments	4,215,436	4,825,148
Loans to members	41,882,761	35,055,840
Other assets	347,552	479,331
Property and equipment	115,648	132,994
	<b>\$ 51,178,111</b>	<b>\$ 44,550,957</b>

## LIABILITIES AND RETAINED EARNINGS

### Liabilities

Term loan	\$ 1,000,156	\$ -
Members' deposits	45,507,142	40,015,987
Other liabilities	278,879	136,065
Members' shares	1,915,054	1,892,840
	<b>48,701,231</b>	<b>42,044,892</b>

### Members' equity

Contributed surplus	70,196	-
Retained earnings	2,406,684	2,506,065
	2,476,880	2,506,065
	<b>\$ 51,178,111</b>	<b>\$ 44,550,957</b>

Commitments

Approved by the Board

Director



Director



The financial statements for Starnews Credit Union Limited were audited by the firm Retford Lane Bates LLP, Chartered Accountants. The statements presented in the annual report represent excerpts from the audited financial statements. A complete copy of the financial statements are available upon request.

# STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 2010

	2010	2009
<b>Interest income</b>		
Member loans	\$ 1,936,851	\$ 1,875,684
Investment income	86,864	108,960
	<b>2,023,715</b>	1,984,644
<b>Interest expense</b>		
Member deposits	624,785	967,109
External borrowings	355	3,480
	<b>625,140</b>	970,589
<b>Net interest income</b>	<b>1,398,575</b>	1,014,055
<b>Provision for impaired loans</b>	<b>24,051</b>	52,725
<b>Net interest income after loan losses</b>	<b>1,374,524</b>	961,330
<b>Other income</b>	<b>282,522</b>	217,169
<b>Net interest and other income</b>	<b>1,657,046</b>	1,178,499
<b>Operating expenses</b>		
Administration expenses (Schedule)	825,104	646,357
Remuneration to staff (Schedule)	768,440	606,431
	<b>1,593,544</b>	1,252,788
<b>Income (loss) before distributions, fair value changes and taxes</b>	<b>63,502</b>	(74,289)
<b>Distribution to members</b>		
Bonus interest and rebates	33,814	17,564
Class A investment shares	64,611	16,286
	<b>98,425</b>	33,850
<b>Loss before fair value changes and taxes</b>	<b>(34,923)</b>	(108,139)
<b>Fair value changes</b>		
Unrealized loss on interest rate swaps	(111,576)	(141,201)
Unrealized gain on ABCP 2008 Limited Partnership units	42,996	30,969
Loss on other investments	(9,172)	(11,893)
	<b>(77,752)</b>	(122,125)
<b>Loss before income taxes</b>	<b>(112,675)</b>	(230,264)
<b>Income taxes recovered</b>		
Current	2,006	(37,972)
Future income taxes	(15,300)	-
	<b>(13,294)</b>	(37,972)
<b>Loss and comprehensive loss for the year</b>	<b>(99,381)</b>	(192,292)
<b>Retained earnings, beginning of the year</b>	<b>2,506,065</b>	2,698,357
<b>Retained earnings, end of the year</b>	<b>\$ 2,406,684</b>	\$ 2,506,065



**Toronto Main Branch and  
Corporate Office**

**Vaughan Press Centre Branch**

**Campbell's Branch**

**King York (Globe & Mail) Branch**

Membership now open to anyone living  
or working in Ontario.

**416.366.5534 or 1.877.782.7639**  
**[www.starnewscu.com](http://www.starnewscu.com)**