



Industrial
Distributors
Federal Credit
Union

2006
Annual Report

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AGENDA

11:15 - 11:30 REGISTRATION

11:30 – 12:30 BUSINESS MEETING

**CALL TO ORDER
DECLARATION OF QUORUM
ROLL CALL OF OFFICERS
ACCEPTANCE OF 2005 MINUTES**

**PRESENTATION OF REPORTS
PRESIDENT'S REPORT
TREASURE'S REPORT
SUPERVISORY AUDIT REPORT
CREDIT COMMITTEE REPORT**

OLD BUSINESS

**NEW BUSINESS
ELECTIONS
DOOR PRIZES
ELECTION RESULTS**

ADJOURMENT

2006 Board of Directors

	<u>Position</u>	<u>Committee</u>
Ned Stewart	President	
Donna Smith	1 st Vice President	Membership
Leticia Chopka	2 nd Vice President	Special Events
Debbie Gazdecki	Secretary	Special Committee
Sharon Bistricky	Treasure	
Dave Smith	Director	Marketing Statistical Analysis
Karen Setala	Director	Research & Advisory

2006 Standing Committees

Anne Stewart	Credit Committee
Bill Leggett	Supervisory Audit Committee
Vince Carl	Nominating Committee

Office Staff

Nancy Danisek	Manager
Anne Stewart	Loan Processor
Arvanders Harris	Customer Service Representative

Industrial Distributors Federal Credit Union
Annual Meeting
Year Ending December 31, 2006

**INDUSTRIAL DISTRIBUTORS' FEDERAL CREDIT UNION
INDUSTRIAL DISTRIBUTORS' FEDERAL CREDIT UNION
ANNUAL MEETING
FOR THE YEAR ENDING DECEMBER 31, 2005**

CALL TO ORDER

The Annual Meeting of the Industrial Distributors Federal Credit Union met on January 18, 2006 at Applied Industrial Technologies Headquarters, One Applied Plaza, Cleveland, Ohio. President, Ned Stewart, called the meeting to order at 11:30 a.m.

After welcoming members to the meeting and giving a few introductory remarks, the President asked the Secretary to call the roll to ascertain that a quorum existed:

ROLL CALL

Directors Present

Ned Stewart, President
Debbie Gazdecki, 1st Vice President
Julie Dickinson, Secretary
Sharon Bistricky, Treasurer
Donna Smith, Director
Dave Smith, Director
Leticia Chopka, Director

The Secretary verified that a quorum exists.

The president asked for a reading of the 2005 Annual Meeting Minutes. A motion was made and seconded that the minutes be accepted as presented in the 2006 Annual Report. Motion was carried.

The President, Ned Stewart, turned the chair over to Debbie Gazdecki, 1st Vice President.

READING OF THE REPORTS:

PRESIDENTS REPORT

Industrial Distributors Federal Credit Union's mission is to provide the owners/members with quality services in a sound financial environment. To meet our mission, we adhere to the policies set by our Board of Directors and rely on our office manager and staff's many years of experience. In addition we strictly adhere to the many regulations that govern our Credit Union set forth by our government and the National Credit Union Administration (NCUA).

In addition to federal examinations the Board of Directors hires an independent auditing firm to review our accounting standards and assure we meet all regulations and incorporate the best possible accounting practices. Our Supervisory Audit committee also conducts their own audits on a regular basis to help ensure we meet our mission.

This past year has brought several new programs for our members. The most prominent being our new mortgage program. Our Credit Union has partnered with Allied Home Mortgage Capital Corporation which is the largest privately held mortgage banker/broker in the United States. Another addition was our new Disaster Relief Policy. This new policy will help relive member's burdens during a major disaster such as the hurricanes that hit our members in the south this past year.

This past year saw a drastic increase in the number of bankruptcies and delinquencies. At no time in the history of our Credit Union have we ever had as many as we did this past year. This affected our overall performance for the year. We have met with examiners and all regulatory bodies are aware of our performance. Plans have been or are in the process of being implemented to assure we do not have another year like we just experienced. We have started our new year off on a much better pace and the future seems to be bright once again.

In closing, I'd like to thank the Board and various Committee members who each serve as volunteers. Their unwavering dedication and guidance provides the foundation for our Credit Union. In addition, I'd also like to recognize the management and staff for their continued dedication to finding new ways to serve the needs of our membership.

Respectfully Submitted,

Ned Stewart – President, IDFCU

It was moved by Donna and seconded by Sharon that the President's Report be accepted. Motion carried.

1st Vice President, Debbie Gazdecki, turned the chair back over to the President, Ned Stewart.

Industrial Distributors Federal Credit Union
Annual Meeting
Year Ending December 31, 2006

The President, Ned Stewart, stated we would hear remaining reports and then entertain one motion to accept them all.

Report of the Treasurer:

The Industrial Distributors Federal Credit Union had a net loss after dividends of \$51,965.00 for 2005. This loss was due to the unprecedented number of defaulted member loans that were delinquent or subject to bankruptcies. Loans and credit card balances totaling \$88,900.00 were written-off. Of those, funds totaling \$33,300.00 were recovered, making the net loss on loans \$55,600.00

Although we have experienced this loss, we are still in a solvent position. Our net worth is well above our peer group average. Member shares have increased \$27,000.00 compared to last year. Our dollar value per share is still strong at \$1.43 and our capital/asset ratio is 28.45%, well above our peer group average of 14.24%.

Net assets as of December 31, 2005, are \$3,781,357.00, an increase of \$18,500.00 from last year.

The Investment Committee reviewed twenty-one investments for 2005. Total investments as of December 31, 2005, are \$1,894,000.00.

Respectfully submitted,

Sharon Bistricky
Treasurer

Industrial Distributors Federal Credit Union
Annual Meeting
Year Ending December 31, 2006
Statements of Condition

	Year Ended December 31,	
	<u>2005</u>	<u>2004</u>
Assets		
Cash	\$17,350	\$16,803
Investments	2,534,091	2,287,565
Loans to Members	1,279,688	1,471,613
Allowance for Loan Losses	(53,505)	(19,581)
Property and Equipment – Net	219	4,980
Other	<u>3,514</u>	<u>1,457</u>
TOTAL ASSETS	<u><u>\$3,781,357</u></u>	<u><u>\$3,762,837</u></u>
Liabilities		
Accounts payable and accrued expenses	<u>\$48,631</u>	<u>\$40,370</u>
TOTAL LIABILITIES	\$48,631	\$40,370
Savings		
Members' shares	\$2,389,297	\$2,362,337
Share draft accounts	<u>214,001</u>	<u>178,736</u>
TOTAL SAVINGS	\$2,603,298	\$2,541,073
Equity		
Statutory reserve	\$312,736	\$312,737

Industrial Distributors Federal Credit Union		
Annual Meeting		
Year Ending December 31, 2006		
Undivided earnings	<u>816,692</u>	<u>868,657</u>
TOTAL EQUITY	<u>\$1,129,428</u>	<u>\$1,181,394</u>
TOTAL LIABILITY, SAVINGS & EQUITY	<u><u>\$3,781,357</u></u>	<u><u>\$3,762,837</u></u>

Statements of Income and Retained Earnings

Year Ended December 31

	<u>2005</u>	<u>2004</u>
INTEREST INCOME		
Loans to individual members	\$99,797	\$121,958
Investments	74,101	45,453
Other	<u>63,079</u>	<u>63,352</u>
TOTAL GROSS INCOME	<u>\$236,977</u>	<u>\$230,763</u>
EXPENSES		
Travel and Conference	\$555	\$429
Employee benefits	20	20
Association dues	2,128	2,180
Office expense	137,863	129,307
Depreciation expense	7,161	2,152
Annual meeting expense	(248)	1,916
Credit bureau	1,712	1,870
Provision for loan losses	91,691	28,100
Insurance expense	4,652	4,757
Credit card expense	3,674	3,988
Marketing expense	(595)	4,690
Operating fees	941	1,004
Maintenance of equipment	602	
Collection expense	1,947	2,890
ATM expense	<u>15,360</u>	<u>16,533</u>
TOTAL EXPENSES	<u>\$267,463</u>	<u>\$199,836</u>

Industrial Distributors Federal Credit Union
Annual Meeting
Year Ending December 31, 2006

NET INCOME BEFORE DIVIDENDS	\$(30,486)	\$30,927
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**APP
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NS TO
RESERVES**

Statutory reserves	<u>\$(23,698)</u>	<u>\$(23,076)</u>
Amount transferred to retained earnings	(54,184)	7,851
Retained earnings at beginning of year	<u>418,749</u>	<u>431,815</u>
	364,565	439,666
Dividends	<u>(21,479)</u>	<u>(20,917)</u>
RETAINED EARNINGS AT YEAR END	<u>\$343,086</u>	<u>\$418,749</u>

Industrial Distributors Federal Credit Union
Annual Meeting
Year Ending December 31, 2006

STATEMENT OF CASH FLOW

Year Ended December 31,

	<u>2004</u>	<u>2003</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Net Income	\$30,927	\$69,385
Adjustment to reconcile net cash provided by operating activities:		
Depreciation	2,152	3,917
Provision for loan losses	28,100	11,500
Prior year adjustment to retained earnings		
Changes in assets and liabilities:		
Decrease/(Increase)		
Other assets	477	6,638
Other liabilities	<u>28,601</u>	<u>7,098</u>
Net cash provided by operation activities:	<u>90,257</u>	<u>98,538</u>
Cash dividend paid	<u>(20,917)</u>	<u>(28,531)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Net increase/(decrease) in member share accounts	<u>(3,338)</u>	<u>12,038</u>
Net cash provided (used) by financing activities	(3,338)	12,038

Industrial Distributors Federal Credit Union
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**NET CASH FLOW FROM INVESTING
ACTIVITIES:**

Net (increase)/decreased in loans to members	112,186	190,218
	(142,381)	(280,541)
Net (increase)/decrease in investments		
Capital expenditures	<u>1,088</u>	<u>8,000</u>
Net cash provided (used) by investing activities	<u>(29,107)</u>	<u>(82,323)</u>
 NET INCREASE/(DECREASE) IN CASH	 (3,421)	 7,088
 Cash at the beginning of the year	 <u>20,224</u>	 <u>13,136</u>
Cash at the end of the year	<u><u>\$16,803</u></u>	<u><u>\$20,224</u></u>

Notes

to

Consolidated Financial Statements

1.) Description of Industrial Distributors Federal Credit Union and a Summary of Significant Accounting Policies

Industrial Distributors Federal Credit union was chartered June 27, 1983 to act as a credit union for the benefit of its membership. The principle activity is to provide service to its membership.

Property and equipment are stated at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

Short-term investments are stated at cost and are certificates of deposit purchased from federally insured financial institutions.

Computer software is recorded at cost and amortized on the straight-line method over five years.

Industrial Distributors Federal Credit Union
Annual Meeting
Year Ending December 31, 2006

2.) **INVESTMENTS**

	<u>Year Ended December 31,</u>	
	<u>2004</u>	<u>2003</u>
Corporate One Credit Union Overnight Investments	\$431,963	\$89,943
Permanent Capital Based Share	<u>33,634</u>	<u>32,830</u>
	465,597	122,773
U.S. Government and agency obligations share insurance capitalization deposit	24,968	24,411
Certificates of deposit with Federally Insured financial institutions	<u>1,797,000</u>	<u>1,998,000</u>
TOTAL	<u><u>\$2,287,565</u></u>	<u><u>\$2,145,184</u></u>

3.) **FURNITURE & FIXTURES**

	<u>Year Ended December 31,</u>	
	<u>2004</u>	<u>2003</u>
Furniture and fixtures	\$3,800	\$3,800
Computer equipment and software	<u>21,228</u>	<u>19,777</u>
	25,028	23,577
Less accumulated depreciation	<u>20,048</u>	<u>17,986</u>
TOTAL	<u><u>\$4,980</u></u>	<u><u>\$5,591</u></u>

Report of the Supervisory Audit Committee:

An audit of the Industrial Distributor's Federal Credit Union was conducted, with a review of related statements of income and financial condition for the year ending July 31, 2005. Our examinations were made in accordance with generally accepted auditing and included such tests of the accounting records and procedures, as we deemed necessary.

Monthly audits of memberships and random selection of loans were conducted. Cash boxes were also selected for audit on a random basis.

In our opinion, the financial statements represented the financial position of our credit union and it is operating properly and in a business-like manner.

Industrial Distributors Federal Credit Union
Annual Meeting
Year Ending December 31, 2006

REPORT OF THE CREDIT COMMITTEE 2005

Type of Loans	Total Number of Loans	Percent of Total Loans	Dollars Loaned	Percent of Total Dollars
Signature	64	40%	406,258.65	43.41%
Auto Loans				
New	14	70%	272,369.70	
Used	6	30%	50,747.92	
Total	20	100%	323,117.62	34.53%
Other (Specials)	65	41%	179,900.00	19.22%
Fully Secured	11	7%	20,062.90	2.14%
Total Loans Approved	160	100%	935,819.22	100%
Credit Cards	12	100%	39,400.00	
Actual Monies Disbursed	724,095.92			
Total Loans Viewed	265			

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Industrial Distributors Federal Credit Union
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CREDIT COMMITTEE 2005

Month	Signature Loans	New Vehicles	Used Vehicles	Secured Other	Fully Secured	All Specials	Credit Cards	Total Approved	Total Denied	
January	35,630.69 7	26,560.30 1	0.00 0	0.00 0	1,200.00 1	0.00 0	3,500.00 1	9	9	
February	40,218.74 7	0.00 0	6,250.00 1	0.00 0	0.00 0	2,800.00 2	700.00 1	10	6	
March	8,000.00 1	0.00 0	6,530.00 1	0.00 0	0.00 0	13,500.00 6	1,500.00 1	8	10	
April	55,286.06 7	0.00 0	0.00 0	0.00 0	0.00 0	5,900.00 3	9,500.00 2	10	9	
May	52,503.74 8	0.00 0	18,850.00 2	0.00 0	0.00 0	15,703.00 8	0.00 0	18	7	
June	20,206.97 3	0.00 0	15,786.93 2	0.00 0	1,206.15 1	20,800.00 6	1,500.00 1	12	6	
July	0.00 0	42,608.80 3	0.00 0	0.00 0	750.00 1	41,000.00 11	0.00 0	15	7	
August	45,551.02 6	0.00 0	0.00 0	0.00 0	3,500.00 2	64,600.00 15	2,000.00 1	23	7	
September	38,917.41 5	24,992.80 1	0.00 0	0.00 0	1,250.00 1	13,000.00 4	0.00 0	11	2	
October	19,536.37 4	22,000.00 1	5,800.00 1	0.00 0	0.00 0	22,000.00 8	0.00 0	14	2	
November	37,075.54 6	0.00 0	21,516.50 3	0.00 0	931.40 1	11,200.00 5	3,600.00 2	15	11	
December	42,269.00 6	13,787.51 1	0.00 0	0.00 0	1,100.00 3	14,700.00 9	6,500.00 2	19	12	
Number of Loans	60	7	10	0	10	77	11	164	88	
Total Amount of Loans	395,195.54	129,949.41	74,733.43	0.00	9,937.55	225,203.00	28,800.00	Total Reviewed	263	835,018.93

* Total does not include credit card loans

Industrial Distributors Federal Credit Union
Annual Meeting
Year Ending December 31, 2006

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ACCEPTANCE OF ALL REPORTS:

It was moved by Dave and seconded by Julie that all reports be accepted as presented. The motion carried.

UNFINISHED BUSINESS:

There was no unfinished business.

NEW BUSINESS:

There was no new business.

PRESENTATION OF NOMINEES/ELECTION OF OFFICERS:

The President turned the chair over to Debbie Gazdecki, 1st Vice-President who called Vince Carl, Nominating Committee Chairperson, for his report. Vince reported the following nominations:

Board of Directors

3 year term (2 positions available)

Ned Stewart

Karen Setala

Credit Committee

3 year term (1 position available)

Rena Johnson

The President asked the members to mark their ballots and place them in the ballot box.

During the counting of the ballots, the 50/50 drawing was explained and the President took a minute to give recognition to all those who have donated their time during the past year and have contributed to our success. He also extended our appreciation to the entire office staff, Nancy Danisek, Anne Watts, and Lesa Johnson.

The meeting was turned over to Leticia Chopka, the Chairperson for Special Events, and she presided over the presentation of the Grand Prize.

The chair asked Vince Carl, the Nominating Committee Chairperson, to give the results of the election:

Industrial Distributors Federal Credit Union
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Board of Directors

3 year term (3 positions available)
Ned Stewart
Karen Setala

Credit Committee

3 year term (1 position available)
Rena Johnson

Debbie opened the floor for any nominees who challenged the ballots. No one challenged the ballots. It was moved by Sharon and seconded by Leticia that the ballots be destroyed. The motion carried.

With the business portion of the meeting completed, the floor was then open for any questions and/or comments.

Debbie requested the newly elected Board members and Credit Committee members to meet with the established Board at the end of the meeting. She also extended an invitation to all members to further their support of the Credit Union by becoming a member of one of the various committees. She thanked all the current Board members for the past year.

It was moved and seconded that the meeting be adjourned. Motion carried. The 21st Annual meeting of the Industrial Distributors Federal Credit Union was adjourned at 12:17p.m.

Ned Stewart, President

Date

Debbie Gazdecki

Date

PRESIDENTS REPORT

Reflecting upon this past year good thoughts come to mind. First we opened our membership to the Ancient Accepted Scottish Rite of the Valley of Cleveland, OH which allows us the opportunity to increase our membership by another 4000 plus members/owners. Second is the launching of our new in-house website that will give us the opportunity to grow with more internet exposure. Third are our financial numbers for 2006 which remain financially strong and either matching or in most cases exceeding national peer averages for a Credit Union of our size.

- Shares to Loans ratio is in line with our peer group average
- Dollar Value per Share is strong
- Expenses compared to Earnings are in control
- Capital to Asset ratio exceeds our peer group average
- Delinquency Ratio is well below our peer group average
- Introduction of Credit Scores used in Loan Review process

We the members/owners are truly lucky to have such a dedicated Office Staff, Committee Members and Board of Directors to assume the responsibility of the operations of our Credit Union. We appreciate their wisdom, thoughtfulness and guidance as well as accountability of our Credit Union. These people which mostly consists of volunteers are deeply appreciated for what they do that allows our Credit Union to remain financially sound.

As we gaze into the future next year we will look forward to even more services being added. We are currently working on a new Gift Card program that will replace our Travelers Checks, a new Debit Card program that will be introduced in 2007 and a continued improvement of our Loan Review process.

As we enter into our 24th year I am encouraged by our sound financial condition today and where our Credit Union is going. I want to say thank you to our members/owners for their continued support in our Credit Union and ask that each of you participate more towards the ongoing growth of IDFCU.

Respectfully,

Ned Stewart
President, IDFCU

REPORT OF THE TREASURER

The Industrial Distributors Federal Credit Union had a net income after dividends of \$26,333.00 for 2006. An examination by the National Credit Union Administration and an outside audit performed by George Hanks reflected that our credit union is operating in a safe and sound manner.

The National Credit Union Administration's Financial Performance Report as of Sept. 30, 2006, listed key ratios of financial trends and operating results of Industrial Distributors Federal Credit Union. Our net worth ratio, net worth divided by total assets, is 29.45%. This is above the average percentage of credit unions in our peer group at 15.42%.

Our dollar value per share is \$1.47, an increase of \$.04 over last year. Net assets as of December 31, 2006, are \$3,665,201.00.

The Investment Committee reviewed twenty-three investments for 2006. Total investments as of December 31, 2006, are \$1,797,000.00.

Respectfully submitted,

Sharon Bistricky

Treasurer

Industrial Distributors Federal Credit Union
Annual Meeting
Year Ending December 31, 2006

STATEMENT OF CONDITIONS

	Year Ended December 31,	
	<u>2006</u>	<u>2005</u>
Assets		
Cash	\$16,904	\$17,350
Investments	2,239,274	2,534,091
Loans to Members	1,455,732	1,279,688
Allowance for Loan Losses	(52,859)	(53,505)
Property and Equipment – Net	820	219
Other	<u>5,330</u>	<u>3,514</u>
TOTAL ASSETS	<u>\$3,665,201</u>	<u>\$3,781,357</u>
Liabilities		
Accounts payable and accrued expenses	<u>\$52,366</u>	<u>\$48,631</u>
TOTAL LIABILITIES	\$52,366	\$48,631
Savings		
Members' shares	\$2,230,151	\$2,389,297
Share draft accounts	<u>227,605</u>	<u>214,001</u>
TOTAL SAVINGS	\$2,457,756	\$2,603,298

Equity

Industrial Distributors Federal Credit Union
Annual Meeting
Year Ending December 31, 2006

Statutory reserve	\$312,737	\$312,736
Undivided earnings	<u>842,342</u>	<u>816,692</u>
TOTAL EQUITY	<u>\$1,155,078</u>	<u>\$1,129,428</u>
 TOTAL LIABILITY, SAVINGS & EQUITY	 <u><u>\$3,665,201</u></u>	 <u><u>\$3,781,357</u></u>

Industrial Distributors Federal Credit Union
Annual Meeting
Year Ending December 31, 2006

Statements of Income and Retained Earnings

	<u>2006</u>	Year Ended December 31, <u>2005</u>
INTEREST INCOME		
Loans to individual members	\$101,053	\$99,797
Investments	106,426	74,101
Other	<u>50,282</u>	<u>63,079</u>
TOTAL GROSS INCOME	<u>\$257,761</u>	<u>\$236,977</u>
EXPENSES		
Travel and Conference	\$671	\$555
Employee benefits	20	20
Association dues	2,010	2,128
Office expense	141,310	137,863
Depreciation expense	388	7,161
Annual meeting expense	1,491	(248)
Credit bureau	1,993	1,712
Provision for loan losses	24,000	91,691
Insurance expense	4,707	4,652
Credit card expense	4,830	3,674
Marketing expense	1,200	(595)
Operating fees	449	941
Maintenance of equipment	1,084	602
Collection expense	1,070	1,947
ATM expense	<u>14,193</u>	<u>15,360</u>
TOTAL EXPENSES	<u>\$199,416</u>	<u>\$267,463</u>

Industrial Distributors Federal Credit Union
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Year Ending December 31, 2006

NET INCOME BEFORE DIVIDENDS	\$58,345	\$(30,486)
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APPROPRIATIONS TO RESERVES

Statutory reserves	<u>\$(25,776)</u>	<u>\$(23,698)</u>
Amount transferred to retained earnings	32,569	(54,184)
Retained earnings at beginning of year	<u>343,086</u>	<u>418,749</u>
	375,655	364,565
Dividends	<u>(32,022)</u>	<u>(21,479)</u>
RETAINED EARNINGS AT YEAR END	<u>\$343,633</u>	<u>\$343,086</u>

STATEMENT OF CASH FLOW

Year Ended December 31,

	<u>2006</u>	<u>2005</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Net Income	\$58,345	\$(30,486)
Adjustment to reconcile net cash provided by operating activities:		
Depreciation	388	7,161
Provision for loan losses	24,000	91,691
Prior year adjustment to retained earnings		
Changes in assets and liabilities:		
Decrease/(Increase)		
Other assets	(1,816)	(2,057)
Other liabilities	<u>(3,735)</u>	<u>(8,261)</u>
Net cash provided by operation activities:	<u>77,182</u>	<u>58,048</u>
Cash dividend paid	<u>(32,022)</u>	<u>(21,479)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Net increase/(decrease) in member share accounts	<u>159,146</u>	<u>26,960</u>
Net cash provided (used) by financing activities	159,146	26,960
NET CASH FLOW FROM INVESTING ACTIVITIES:		
Net (increase)/decreased in loans to members	(176,690)	225,849
Net (increase)/decrease in investments	294,817	(246,526)

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Capital expenditures	<u>2,417</u>	<u>2,704</u>
Net cash provided (used) by investing activities	<u>120,544</u>	<u>(17,973)</u>
NET INCREASE/(DECREASE) IN CASH	(446)	547
Cash at the beginning of the year	<u>17,350</u>	<u>16,803</u>
Cash at the end of the year	<u><u>\$17,796</u></u>	<u><u>\$17,350</u></u>

Notes

to

Consolidated Financial Statements

- 1.) Description of Industrial Distributors Federal Credit Union and a Summary of Significant Accounting Policies

Industrial Distributors Federal Credit Union, formerly Bearings, Inc. Employees' Federal Credit Union, was chartered June 27, 1983 to act as a credit union for the benefit of its membership. The principle activity is to provide service to its membership.

Property and equipment are stated at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

Short-term investments are stated at cost and are certificates of deposit purchased from federally insured financial institutions.

Computer software is recorded at cost and amortized on the straight-line method over five years.

Industrial Distributors Federal Credit Union
Annual Meeting
Year Ending December 31, 2006

2.) **INVESTMENTS**

	<u>Year Ended December 31,</u>	
	<u>2006</u>	<u>2005</u>
Corporate One Credit Union Overnight Investments	\$383,209	\$580,815
Permanent Capital Based Share	<u>34,032</u>	<u>33,865</u>
	417,241	614,680
U.S. Government and agency obligations share insurance capitalization deposit	26,033	25,411
Certificates of deposit with Federally Insured financial institutions	<u>1,796,000</u>	<u>1,894,000</u>
TOTAL	<u>\$2,239,274</u>	<u>\$2,534,091</u>

3.) **FURNITURE & FIXTURES**

	<u>Year Ended December 31,</u>	
	<u>2006</u>	<u>2005</u>
Furniture and fixtures	\$3,800	\$3,800
Computer equipment and software	<u>24,377</u>	<u>23,627</u>
	28,177	27,427
Less accumulated depreciation	<u>27,357</u>	<u>27,208</u>
TOTAL	<u>\$820</u>	<u>\$219</u>

REPORT OF THE SUPERVISORY AUDIT COMMITTEE

An audit of the Industrial Distributor's Federal Credit Union was conducted, with a review of related statements of income and financial condition for the year ending December 31, 2006. Our examinations were made in accordance with generally accepted auditing and included such tests of the accounting records and procedures, as we deemed necessary.

Monthly audits of memberships and random selection of loans were conducted. Cash boxes were also selected for audit on a random basis.

In our opinion, the financial statements represented the financial position of our credit union and it is operating properly and in a business-like manner.

REPORT OF THE CREDIT COMMITTEE 2006

Type of Loans	Total Number of Loans	Percent of Total Loans	Dollars Loaned	Percent of Total Dollars
Signature	60	37%	395,195.54	47.33%
Auto Loans				
New	7	41%	129,949.41	
Used	10	59%	74,733.43	
Total	17	100%	204,682.84	24.51%
Other (Specials)	77	47%	225,203.00	26.97%
Fully Secured	10	6%	9,937.55	1.19%
Total Loans Approved	164	100%	835,018.93	100%
Credit Cards	11	100%	28,800.00	
Actual Monies Disbursed	574,835.41			
Total Loans Viewed	263			

Industrial Distributors Federal Credit Union
Annual Meeting
Year Ending December 31, 2006

CREDIT COMMITTEE 2005

Month	Signature Loans	New Vehicles	Used Vehicles	Secured Other	Fully Secured	All Specials	Credit Cards	Total Approved	Total Denied	
January	35,630.69 7	26,560.30 1	0.00 0	0.00 0	1,200.00 1	0.00 0	6,200.00 1	5	9	17,042.57
February	40,218.74 7	0.00 0	6,250.00 1	0.00 0	0.00 0	2,800.00 2	700.00 1	50	5	64,500.00
March	8,000.00 1	0.00 0	6,530.00 1	0.00 0	0.00 0	13,500.00 6	1,500.00 1	9	6	43,481.90
April	55,286.06 7	0.00 0	0.00 0	0.00 0	0.00 0	5,900.00 3	9,500.00 2	13	8	59,768.50
May	52,503.74 8	0.00 0	18,850.00 2	0.00 0	0.00 0	15,703.00 8	0.00 0	23	15	93,432.66
June	20,206.97 3	0.00 0	15,786.93 2	0.00 0	1,206.15 1	20,800.00 6	1,500.00 1	14	9	79,396.13
July	0.00 0	42,608.80 3	0.00 0	0.00 0	750.00 1	41,000.00 11	0.00 0	10	8	93,685.78
August	45,551.02 6	0.00 0	0.00 0	0.00 0	3,500.00 2	64,600.00 15	2,000.00 1	19	9	164,409.44
September	38,917.41 5	24,992.80 1	0.00 0	0.00 0	1,250.00 1	13,000.00 4	0.00 0	13	15	47,973.49
October	19,536.37 4	22,000.00 1	5,800.00 1	0.00 0	0.00 0	22,000.00 8	0.00 0	17	8	169,306.36
November	37,075.54 6	0.00 0	21,516.50 3	0.00 0	931.40 1	11,200.00 5	3,600.00 2	16	10	41,060.00
December	42,269.00 6	13,787.51 1	0.00 0	0.00 0	1,100.00 3	14,700.00 9	6,500.00 2	13	9	51,749.02
Number of Loans	60	7	10	0	10	77	11	202	111	925,805.85
Total Amount of Loans	395,195.54	129,949.41	74,733.43	0.00	9,937.55	225,203.00	28,800.00	Total Reviewed	324	1,032,484.06

* Total does not include credit card loans

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2007 NOMINEES

Industrial Distributors Federal Credit Union

Board of Directors – 3-year term

Claudia Lipscomb has been with Applied Industrial Technologies for 28 years. She is currently the Operations Administrator for the Vendor Auditing Department. Claudia has been a member of the Credit Union since it started in 1983. She has previously served on the Credit and audit committees. Claudia is a huge sports fan, when she is not traveling with her husband Dave. She enjoys attending sporting events or watching them on television.

Jeff Sleva has been with Applied Industrial Technologies for 32 years. He currently works in the Internal Audit Department. He has held many different positions in his Career at Applied, his previous position being a Financial Inventory Specialist. Jeff has been a member of the Credit Union since it started in 1983. He has served on the Audit committee for the past 2 years. When he is not on the road performing operation reviews, he enjoys spending time with his wife Nina, daughter Emma and his son Austin.

Diana Powell has been with Applied Industrial Technologies for 10 years. She is currently the Fluid Power Buyer for Corporate Purchasing. Diana has been a member of the Credit Union since 1998. She has served on the Special events committee for the past 4 years. Diana likes to watch her daughter, Melissa play sports and enjoys spending time with her fiancé, Dale. Diana also likes to make use of her finely tuned buying skills at the local shopping centers.