

Industrial Distributors Federal Credit Union
2009 ANNUAL REPORT

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ANNUAL MEETING MINUTES
FOR THE YEAR ENDING DECEMBER 31, 2008

CALL TO ORDER

The Annual Meeting of the Industrial Distributors Federal Credit Union met on January 28, 2009 at Applied Industrial Technologies Headquarters, One Applied Plaza, and 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:

- Ø Ned Stewart, President
- Ø Leticia Chopka, 1st Vice President
- Ø Diana Hendricks, Secretary
- Ø Nancy Danisek, Treasurer
- Ø Jim Langmead, Director

A quorum exists.

The president asked for a reading of the 2008 Annual Meeting Minutes. A motion was made by Leticia and seconded by Nancy that the minutes be accepted as presented in the 2009 Annual Report. Motion was carried.

The President then turned the chair over to the 1st Vice President Leticia. Leticia said the next order of business is the presentation of the 2008 Annual Reports. She asked Ned Stewart to give the Presidents report.

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REPORT OF THE PRESIDENT 2008

On June 23, 1983, several associates from Applied Industrial Technologies (formerly Bearings, Inc.) decided to pool their money together and make loans. They formed the Bearings Incorporated Employees Federal Credit Union, which today over 25 years later is known as the Industrial Distributors Federal Credit Union (IDFCU)

Did you know that one in every three Americans belongs to a credit union? That's 89 million or more people belonging to one of more than 10,000 credit unions, with approximately 500 billion in collective assets. When it comes to personal attention, high-quality service and low fees, IDFCU continues to rank superior to other providers of financial services. Credit unions have topped the consumer satisfaction ratings in American Banker's annual survey for several years consecutively.

And another interesting fact about credit unions: not one penny of insured savings has ever been lost by a member of a federally insured credit union.

On behalf of the board of directors I am pleased to announce that IDFCU ended yet another year as a financially sound institution. In August of 2008 our outside auditing firm performed their annual audit and reported that IDFCU continues to be financially sound.

2008 saw several changes and enhancements to IDFCU. First and most important we began our Online Banking program. This was a major undertaking and special thanks to our office staff for their hard work and due diligence to see this project through. We started with just a handful of members testing this service and today we have several of our members using it on almost a daily basis. We continuously monitor this and hope to make new additions to this program as funding becomes available. Second we combined our ATM and Debit card program into just a single card program for our members and discontinued our Star ATM program.

As we go into 2009 we will continue to look for better ways to improve our current services and look into new services to offer our members. I would like to thank the board of directors and office staff for their continued hard work and thank you the member for putting your trust into IDFCU.

Respectfully submitted,
Ned Stewart
President, IDFCU

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

1st Vice President Leticia then turned the chair back over to the President. The President, Ned Stewart, stated we would hear financial report.

REPORT OF THE TREASURER 2008

The Industrial Distributors Federal Credit Union had net income after dividends of \$11,789.44 for 2008 an increase of \$7,517.44 from 2007. An examination by the National Credit Union Administration and an outside audit performed by George Hanks reflected that our credit union is well capitalized and operating in a safe and sound manner.

The National Credit Union Administration's Financial Performance Report as of Sept. 30, 2007, 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 32.49%. This is above the average percentage of credit unions in our peer group at 16.21%.

Our dollar value per share is \$1.54, an increase of \$.04 over last year. Net assets as of December 31, 2007, are \$3,377,127.00.

The Investment Committee reviewed twenty-two investments for 2008. Total investments as of December 31, 2008, are \$1,745,514.70

Respectfully submitted,
Nancy Danisek
Treasurer

REPORT OF THE SUPERVISORY AUDIT COMMITTEE 2008

An audit of the Industrial Distributors Federal Credit Union was conducted, with a review of related statements of income and financial condition for the year ending December 31, 2008. 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 Cash boxes and random selection of loans were conducted. Various processes and procedures were audited on a random basis to test adherence to Federal Credit Union Guidelines.

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.

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REPORT OF THE LOAN OFFICER 2008

Month	Signature Loans	New Vehicles	Used Vehicles	Secured Other	Fully Secured	All Specials	Credit Cards	Total Approved	Total Denied	Actual Disbursed
January	28,634.49	0.00	21,950.00	0.00	3,111.83	0.00	3,500.00			37,953.28
	5	0	1	0	2	0	1	8	5	
February	32,944.09	0.00	0.00	0.00	6,292.00	21,250.00	0.00			35,485.73
	6	0	0	0	1	48	0	50	3	
March	18,527.44	104,716.94	23,875.00	0.00	0.00	19,300.00	0.00			27,895.00
	2	2	1	0	0	7	0	12	6	
April	28,608.62	54,861.51	11,942.00	0.00	4,500.00	37,640.50	0.00			42,578.09
	5	2	1	0	2	10	0	20	5	
May	29,158.90	0.00	0.00	0.00	1,000.08	16,700.00	0.00			53,597.98
	4	0	0	0	1	6	0	11	1	
June	2,332.58	45,844.87	14,770.00	0.00	0.00	4,500.00	0.00			79,586.00
	1	3	1	0	0	2	0	7	10	
July	23,814.56	8,500.00	21,669.11	0.00	3,201.35	23,500.00	0.00			47,500.00
	3	1	1	0	2	7	0	14	4	
August	33,934.42	15,000.00	0.00	0.00	0.00	23,000.00	0.00			76,200.00
	4	1	0	0	0	7	0	12	2	
September	7,939.68	43,695.78	0.00	0.00	0.00	23,000.00	0.00			32,500.00
	1	2	0	0	0	5	0	8	8	
October	0.00	0.00	0.00	0.00	0.00	19,000.00	0.00			97,497.67
	0	0	0	0	0	6	0	6	5	
November	10,761.67	0.00	0.00	0.00	334.00	3,600.00	0.00			25,000.00
	3	0	0	0	1	3	0	7	6	
December	50,313.89	30,354.31	0.00	0.00	3,938.73	3,150.00	0.00			41,848.27
	6	2	0	0	2	3	0	13	3	
Number of Loans	40	13	5	0	11	99	1	168	57	597,437.02
Total Amount of Loans	256,970.34	302,973.41	94,206.11	0.00	22,377.99	194,640.50	3,500.00	Total Reviewed	225	Total Amount Loans * \$ 881,168.35
* Total does not include credit card loans										Total Amount Credit Cards \$ 3,500.00

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Type of Loans	Total Number of Loans	Percent of Total Loans	Dollars Loaned	Percent of Total Dollars
Signature	40	24%	266,970.34	30.30%
Auto Loans				
New	13	72%	302,973.41	
Used	5	28%	94,206.11	
Total	18	100%	397,179.52	45.07%
Other (Specials)	99	59%	194,640.50	22.09%
Fully Secured	11	7%	22,377.99	2.54%
Total Loans Approved	225 168	100%	881,168.35	100%
Credit Cards	1	100%	3,500.00	
Actual Monies Disbursed	766,466.37			
Total Loans Viewed	225			

ACCEPTANCE OF ALL REPORTS

It was moved by Jim and seconded by Diana that all reports be accepted as given. Motion carried.

UNFINISHED BUSINESS

There was no unfinished business.

NEW BUSINESS

There was no new business.

The President turned the chair over to Director Jim Langmead. Director Jim Langmead called for the report of the Nominating Committee.

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PRESENTATION OF NOMINEES / ELECTION OF OFFICERS

Chairperson Vince Carl reported the following nominations:

Board of Directors

3-year term:

- Ø Leticia Chopka
- Ø Ned Stewart

Vince asked are there any nominations from the floor. After asking three times nominations for the Board of Directors for a 3 year term was closed. He then asked the members to mark their ballots and place them in the ballot box.

During the counting of the ballots, Director Jim Langmead 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 Stewart, and Arvanders Harris.

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

Board of Directors

3-year term:

- Ø Leticia Chopka
- Ø Ned Stewart

Jim opened the floor for any nominees who challenged the ballots. No one challenged the ballots. It was moved by Diana and seconded by Nancy 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.

Jim asked the newly elected Board members and Credit Committee members to meet with the established Board at the end of the meeting. He 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. He thanked all the current Board members for the past year.

It was moved and seconded that the meeting be adjourned. Motion carried. The 25th Annual meeting of the Industrial Distributors Federal Credit Union was adjourned at 12:20 p.m.

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Ned Stewart, President

Date

Diana Hendricks, Secretary
Jim Langmead (acting secretary)

Date

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ANNUAL MEETING REPORTS
FOR THE YEAR ENDING DECEMBER 31, 2009

REPORT OF THE PRESIDENT 2009

It is with great pleasure that on behalf of the Board of Directors for Industrial Distributors Federal Credit Union (IDFCU) that I present this report for the year ending 2009. IDFCU is a strong and financially sound Credit Union. In this ever-changing business climate we have remained financially strong and stable unlike many of our counterparts saw in 2009.

Earlier this year the National Credit Union Administration (NCUA) examined IDFCU. NCUA uses what is referred to as a CAMEL rating system evaluating five critical elements of our Credit Union: Capital, Asset Quality, Management, Earnings and Liquidity. The CAMEL ratings are on a scale of 1 to 5 with a 1 indicating a strong performance while a 5 indicates unsatisfactory performance. I am very proud to announce we once again achieved a rating of 1.

Many financial institutions stability and strengths have been tested in 2009 due to the nation's economy. Our volunteers and office staff remain dedicated to you the member to continue managing IDFCU in a safe and sound manner.

At the close of 2009 the Board of Directors approved a one-time financial bad debt write-off. We will close out the year at a loss. Because our capital is so strong this will have minimal impact on IDFCU and will better position us for 2010.

I would like to conclude by thanking the Board of Directors and the various committee members who have graciously volunteered their time, also to our Manager and Office Staff for successfully completing another year. I would also like to say "Thank You" to all the members for having the faith in our volunteers and office staff, and for making us as successful as we are today.

Respectfully submitted,
Ned Stewart
President, IDFCU

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REPORT OF THE TREASURER 2009

The Industrial Distributors Federal Credit Union had net loss after dividends of \$36,333.60 for 2009. This loss was due to the unprecedented number of defaulted member loans that were delinquent or subject to bankruptcies. Loan and credit card balances totaling \$60,504.88. Of those, funds totaling \$13,502.14 were recovered, making a net loss of \$47,002.74. In addition, interest from income on investments was less than expected due to the economic situations on the banking issues.

Although we have experienced these losses, we are still in a solvent position. Our net worth as of December 31, 2009 is 32.94%, and is well above our peer group average of 15.47%.

An examination by the National Credit Union Administration and an outside audit performed by George Hanks reflected that our credit union is well capitalized and operating in a safe and sound manner.

The National Credit Union Administration's Financial Performance Report as of Sept. 30, 2009, 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 33.40%. This is above the average percentage of credit unions in our peer group at 15.47%.

Our dollar value per share is \$1.53, a decrease of \$.01 over last year. Net assets as of December 31, 2009, are \$3,313,998.19.

The Investment Committee reviewed twenty investments for 2009. Total investments as of December 31, 2009, are \$1,790,00.00

Respectfully submitted,
Nancy Danisek
Treasurer

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Statements of Condition

Year Ended December 31, 2009

	<u>2009</u>	<u>2008</u>
Assets		
Cash	\$43,638	\$53,500
Investments	2,160,651	2,120,928
Loans to Members	1,146,895	1,256,556
Allowance for Loan Losses	(43,078)	(60,125)
Property and Equipment – Net	0	883
Other	<u>5,892</u>	<u>5,385</u>
TOTAL ASSETS	<u>\$3,313,998</u>	<u>\$3,377,127</u>
Liabilities		
Accounts payable and accrued expenses	<u>\$50,895</u>	<u>\$51,585</u>
TOTAL LIABILITIES	\$50,895	\$51,585

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Savings

Members' shares	\$1,941,274	\$2,013,276
Share draft accounts	<u>187,022</u>	<u>141,125</u>
TOTAL SAVINGS	\$2,128,296	\$2,154,401

Equity

Statutory reserve	\$312,737	\$312,737
Undivided earnings	<u>822,070</u>	<u>858,404</u>
TOTAL EQUITY	<u>\$1,134,807</u>	<u>\$1,171,141</u>

TOTAL LIABILITY, SAVINGS & EQUITY	<u><u>\$3,313,998</u></u>	<u><u>\$3,377,127</u></u>
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Statements of Income and Retained Earnings

Year Ended December 31, 2009

	<u>2009</u>	<u>2008</u>
INTEREST INCOME		
Loans to individual members	\$100,152	\$108,311
Investments	46,897	88,781
Other	<u>69,353</u>	<u>53,054</u>
TOTAL GROSS INCOME	<u>\$216,402</u>	<u>\$250,146</u>
EXPENSES		
Travel and Conference	\$69	\$143
Employee benefits	100	100
Association dues	1,990	2,083
Office expense	147,729	146,263
Depreciation expense	3,031	4,072
Annual meeting expense	0	335
Credit bureau	2,140	1910
Provision for loan losses	30,900	26,350
Insurance expense	5,294	5,399
Credit card expense	4,093	4568
Marketing expense	193	1,358

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	19,143	776
Operating fees		
Maintenance of equipment	613	1,295
Collection expense	390	66
ATM expense	19,980	11,716
TOTAL EXPENSES	\$235,665	\$234,687
NET INCOME BEFORE DIVIDENDS	(\$19,263)	\$38,743
APPROPRIATIONS TO RESERVES		
Statutory reserves	\$(21,640)	\$(27,343)
Amount transferred to retained earnings	(40,903)	1,400
Retained earnings at beginning of year	297,337	343,633
	256,434	345,033
Dividends	(17,071)	(34,471)
RETAINED EARNINGS AT YEAR END	\$239,363	\$310,562

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Statements of Cash Flow

Year Ended December 31, 2009

	<u>2009</u>	<u>2008</u>
Cash Flow from Operating Activities:		
Net Income	(\$19,263)	\$38,741
Adjustment to reconcile net cash provided by operating activities:		
Depreciation	3,031	4,072
Provision for loan losses	30,900	26,350
Prior year adjustment to retained earnings		10,000
Changes in assets and liabilities:		
(Increase)/Decrease		
Other assets	507	(1,409)
Other liabilities	690	(92)
Net cash provided by operation activities:	15,865	77,661
Cash dividend paid	(17,071)	(26,951)
Cash flow from Financing Activities:		
Net (increase)/decrease in member share accounts	72,002	121,839
Net cash provided (used) by financing activities	72,002	121,839

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Net Cash Flow from Investing Activities:	_____	_____
Net (increase)/decrease in loans to members	92,614	81,076
Net (increase)/decrease in investments	(39,723)	110,293
Capital expenditures	(883)	(1,550)
Net cash provided (used) by investing activities	52,008	189,819
Net Increase/(Decrease) in Cash	(9,862)	36,066
Cash at the beginning of the year	53,500	17,434
Cash at the end of the year	\$43,638	\$53,500

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.

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2) Investments

Year Ended December 31, 2009

	<u>2009</u>	<u>2008</u>
Corporate One Credit Union Overnight Investments	\$318,713	\$320,376
Permanent Capital Based Share	30,394	31,806
	349,107	352,182
U.S. Government and agency obligations share insurance capitalization deposit	21,544	23,231
Certificates of deposit with Federally Insured financial institutions	1,790,000	1,745,515
TOTAL	\$2,160,651	\$2,120,928

3) Furniture & Fixtures

Year Ended December 31, 2009

	<u>2009</u>	<u>2008</u>
Furniture and fixtures	\$.00	\$3,800
Computer equipment and software	11,301	24,954
	11,301	28,754
Less accumulated depreciation	11,301	27,731
TOTAL	\$.00	\$1,023

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Loan Officer and Review Committee 2009

Month	Signature Loans	New Vehicles	Used Vehicles	Secured Other	Fully Secured	All Specials	Credit Cards	Total Approved	Total Denied	Actual Disbursed
January	12,981.52 2	13,349.00 1	0.00 0	0.00 0	0.00 0	5,000.00 5	0.00 0	8	3	24,449.00
February	36,206.22 6	0.00 0	3,400.00 1	0.00 0	0.00 0	0.00 0	0.00 0	7	2	24,600.00
March	72,569.89 10	25,813.54 1	0.00 0	0.00 0	600.00 1	0.00 0	0.00 0	12	2	61,560.69
April	13,972.07 2	28,500.00 1	14,263.58 1	0.00 0	2,255.54 1	26,700.00 8	0.00 0	13	5	79,319.12
May	12,000.00 2	0.00 0	0.00 0	0.00 0	9,100.00 3	18,665.00 11	0.00 0	16	5	34,935.04
June	27,441.64 4	0.00 0	0.00 0	0.00 0	0.00 0	25,550.00 7	1,500.00 1	11	9	42,711.30
July	32,618.38 5	34,123.06 1	5,000.00 1	0.00 0	4,009.22 2	25,743.83 8	0.00 0	17	5	78,876.11
August	21,195.14 3	0.00 0	20,000.00 1	0.00 0	517.29 1	5,000.00 1	0.00 0	6	4	39,517.29
September	18,977.08 4	62,652.31 2	0.00 0	0.00 0	0.00 0	5,200.00 4	0.00 0	10	5	78,503.64
October	25,213.35 4	0.00 0	0.00 0	0.00 0	2,339.50 1	0.00 0	0.00 0	5	6	15,339.50
November	22,984.66 3	0.00 0	7,190.44 1	0.00 0	1,684.56 1	3,050.00 3	0.00 0	8	10	27,625.00
December	12,098.46 2	0.00 0	0.00 0	0.00 0	0.00 0	3,550.00 3	0.00 0	5	2	8,050.00

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Number of Loans	47	6	5	0	10	50	1	118	58	515,486.69	
								Total		Total Amount	
Total Amount of Loans	308,258.41	164,437.91	49,854.02	0.00	20,506.11	118,458.83	1,500.00	Reviewed	156	Loans * Total Amount	\$ 661,515.28
* Total does not include credit card loans										Credit Cards	\$ 1,500.00

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Loan Officer and Review Committee 2009

Type of Loans	Total Number of Loans	Percent of Total Loans	Dollars Loaned	Percent of Total Dollars
Signature	47	40%	308,258.41	46.60%
Auto Loans				
New	6	55%	164,437.91	
Used	5	45%	49,854.02	
Total	11	100%	214,291.93	32.39%
Other (Specials)	50	42%	118,458.83	17.91%
Fully Secured	10	8%	20,506.11	3.10%
Total Loans	156			
Approved	118	100%	661,515.28	100%
Credit Cards	1	100%	1,500.00	
Actual Monies Disbursed	515,486.69			
Total Loans Viewed	156			

Industrial Distributors Federal Credit Union
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REPORT OF THE SUPERVISORY AUDIT COMMITTEE

Audit of the Industrial Distributors Federal Credit Union was conducted throughout the year. Examinations were made in accordance with generally accepted auditing guidelines. Tests included examination of related accounting records, practices and procedures as necessary.

Review of Internal Controls, cash box transactions, random loan selections and various processes and procedures were audited to test adherence to Federal Credit Union Guidelines.

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.

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2010 NOMINATIONS

Board of Directors 3-year term

David M. Smith: Dave is a 14-year associate of Applied Industrial Technologies. He is currently the Manager of Corporate Purchasing and Transportation. He is also a former member of the IDFCU Board.

Dave has a Bachelor of Science degree from The Ohio State University and a Masters of Business Administration from Baldwin Wallace College.

Julie A. Kho: Julie joined the Corporate Communications department in 1992. She left the company in 1999 after the birth of her first child. Julie returned to Applied in 2004. She is currently Public Relations Manager and just finished her first year of service on the IDFCU Board.

Julie has a Bachelor of Arts degree in communications from Cleveland State University and has completed coursework towards an MBA at Baldwin Wallace College. She has also served on the MidTown Cleveland, Inc. Marketing & Communications committee.

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2010 Ballot

Board of Directors 3-year term:

(Select One)

_____ Dave Smith

_____ Julie Kho

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CONTACT INFORMATION

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Cleveland, OH 44115

P: 216-432-3230

F: 216-432-3234

www.idfcu.org

IDFCU - A MEMBER OF NCUA

The National Credit Union Administration (NCUA) is the independent federal agency that charters and supervises federal credit unions throughout the United States and its territories.

NCUA administers the National Credit Union Share Insurance Fund (NCUSIF). Backed by the full faith and credit of the United States government, the NCUSIF insures the member accounts in all federal credit unions and the substantial majority of state-chartered credit unions.

National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Ph: 703-518-6300

www.ncua.gov

NCUA's Consumer Assistance Hotline 1-800-755-1030