

Annual Report

2018



LEADING EDGE

Vision

At Leading Edge Credit Union we strive to assist all our members to meet their financial goals by providing advice and services with a focus on our members' best interests.

Mission

To be the financial institution of choice by providing quality financial products and offering exceptional member value through knowledgeable and professional staff while adhering to the co-operative principles and values.

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MANAGEMENT AND STAFF

Corporate Office

Cory Munden
Chief Executive Officer

Terry Hardy
Manager of Accounting Services

Charlotte Taylor
Executive Assistant & Privacy Officer

Randi Alexander
Marketing Specialist

Roger Hardy
Manager of Operations

Trudy Skinner-Keeping
Manager of Lending Services

Renee Samms
Compliance & Administration Officer

Elaine Ingram
Accounting Officer

Jody King
Accounting Administrator

Luke Simms
Information Technologist

Candace Matthews
Member Relations & Communications Specialist

Corner Brook Branch

Donald Rideout
Branch Manager

Arwilda Brake
Financial Services Officer

Mindy Gillingham
Financial Services Officer

Holley Simmonds
Financial Services Representative II

Roxanne Jacobs
Financial Services Representative/Tax Associate

Sandra Brockway
Financial Services Representative

Sylvia Hynes
Financial Services Representative (Casual)

Doyles Branch

Tracy Keeping
Branch Manager

Terryl McArthur
Financial Services Officer

Selma Kilpatrick
Financial Services Representative

Patricia Cousins
Financial Services Representative

Brittany St. Croix
Financial Services Representative (Casual)

Dale Lomond
Financial Services Representative (Casual)

Bruce Samms
Tax Associate

Jeffrey's Branch

Rhoda Pumphrey
Branch Manager

Melanie Hulan-Legge
Financial Services Officer

Terri MacAuley
Financial Services Representative

April-Dawn Alley
Financial Services Representative

Kara Gale
Financial Services Representative (Casual)

Amy Quilty
Financial Services Representative (Casual)

Morley Greening
Tax Associate

Port aux Basques Branch

Geneva Taylor
Branch Manager

Lisa Purchase
Financial Services Officer

Donna Bailey
Financial Services Officer

Martina MacDonald
Financial Services Representative

Vanessa Elms
Financial Services Representative

Kelly Thorne
Financial Services Representative

Elaine Vautier
Financial Services Representative (Casual)

Michele MacLean
Tax Associate

St. George's Branch

Tracy Keeping
Branch Manager

Jocelyn Deluney
Financial Services Officer

Erin Fillatre
Financial Services Representative

Roseanna Brake
Tax Associate

BOARD OF DIRECTORS AND COMMITTEES

Board of Directors

Gary J. O'Brien, *President*
 Daniel Sheaves, *Vice-President*
 William H. Coates, *Corporate Secretary*
 Bruce Burton, *Director*
 Lyndon Combdon, *Director*
 Tony Leamon, *Director*
 Jeff Patry, *Director*
 Barry Simms, *Director*
 Janet Willis, *Director*

Audit Committee

Janet Willis, *Chair*
 Lyndon Combdon, *Director*
 Tony Leamon, *Director*
 Jeff Patry, *Director*
 Barry Simms, *Director*

Credit Committee

Cory Munden, *Chair*
 Roger Hardy, *Employee*
 Terry Hardy, *Employee*
 Renee Samms, *Employee*
 Trudy Skinner-Keeping, *Employee*

Legislative Committee

William H. Coates, *Chair*
 Lyndon Combdon, *Director*
 Bruce Burton, *Director*
 Barry Simms, *Director*

Corporate Social Responsibility Committee

Tony Leamon, *Chair*
 Bruce Burton, *Director*
 Jeff Patry, *Director*
 Janet Willis, *Director*

Meeting Participation May 1, 2018 to March 1, 2019

| Name | Board | Executive | Audit | Legislative | CSR |
|----------------|-------|-----------|-------|-------------|-----|
| Burton, B. | 6/6 | - | - | 1/1 | 4/4 |
| Coates, W. H. | 6/6 | 5/5 | - | 1/1 | - |
| Combdon, L. | 5/6 | - | 3/4 | 1/1 | - |
| Leamon, T. | 5/6 | - | 4/4 | - | 4/4 |
| O'Brien, G. J. | 6/6 | 5/5 | - | - | - |
| Patry, J. | 6/6 | - | 4/4 | - | 4/4 |
| Sheaves, D. | 6/6 | 4/5 | - | - | - |
| Simms, B. | 6/6 | - | 4/4 | 1/1 | - |
| Willis, J. | 6/6 | - | 4/4 | - | 3/4 |

CO-OPERATIVE PRINCIPLES

These seven principles are founded in the philosophy of co-operation and its central values of equality, equity and mutual self-help. They express, around the world, the principles of human development through people working together to achieve a better life for themselves and their community.

1. Voluntary and Open Membership

Credit unions are voluntary, co-operative organizations, offering services to people willing to accept the responsibilities and benefits of membership, without gender, social, racial, political or religious discrimination.

Like credit unions, many co-operatives operate as not-for-profit institutions with volunteer Boards of Directors. In the case of credit unions, directors are drawn from defined fields of membership.

2. Democratic Member Control

Co-operatives are democratic organizations; owned and controlled by their members, one member one vote, with equal opportunity for participation in setting policies and making decisions.

3. Member Economic Participation

Members are the owners. As such, they contribute to, and democratically control, the capital of the co-operative. This benefits members in proportion to their transactions with the co-operative rather than on the capital invested.

Credit unions typically offer better rates, fees and service than for-profit financial institutions, and their members recognize benefits in proportion to the extent of their financial transactions and general usage.

4. Autonomy and Independence

Co-operatives are autonomous, self-help organizations controlled by their members. If the co-operative enters into agreements with other organizations or raises capital from external sources, it is done so based on terms that ensure democratic control by the members and maintains the co-operative autonomy.

5. Education, Training and Information

Co-operatives provide education and training for members, elected representatives, managers and employees so they can contribute effectively to the development of the co-operative.

Credit unions place particular importance on educational opportunities for their volunteer directors, and financial education for their members and the public, especially the nation's youth. Credit unions also recognize the importance of ensuring the general public and policy makers are informed about the nature, structure and benefits of co-operatives.

6. Co-operation Among Co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, provincial, regional, national, and international structures.

7. Concern for Community

While focusing on member needs, co-operatives work for the sustainable development of communities, including people of modest means, through policies developed and accepted by their members.

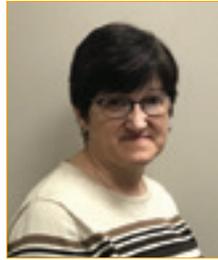
CO-OPERATIVE VALUES

The International Co-operative Alliance (ICA) has a set of values that help govern all decisions in co-operatives. According to the ICA, co-operatives are based on the values of **self-help, self-responsibility, democracy, equality, equity and solidarity**. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

SPECIAL RECOGNITION



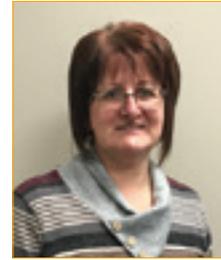
April-Dawn Alley - 5 years
Financial Services Representative
Jeffrey's



Elaine Vautier - 5 years
Financial Services Representative
(Casual)
Port aux Basques



Melanie Hulan-Legge - 10 years
Financial Services Officer
Jeffrey's



Martina MacDonald - 10 years
Financial Services Representative
Port aux Basques



Trudy Skinner-Keeping - 10 years
Manager of Lending Services
Corporate Office



Roxanne Jacobs - 10 years
Financial Services Representative
Corner Brook



Roger Hardy - 15 years
Manager of Operations
Corporate Office



Lisa Purchase - 15 years
Financial Services Officer
Port aux Basques



Donna Bailey - 15 years
Financial Services Officer
Port aux Basques



Awilda Brake - 15 years
Financial Services Officer
Corner Brook



Holley Simmonds - 15 years
Financial Services Representative II
Corner Brook



Rhoda Pumphrey - 25 years
Branch Manager
Jeffrey's



SOCIAL RESPONSIBILITY

COMMUNITY IMPACT – OUR CORPORATE SOCIAL RESPONSIBILITY STORY



At Leading Edge Credit Union, we strive to be a leader in enhancing the long-term sustainability of the communities we serve. Our Corporate Social Responsibility (CSR) practices are integrated through out our business operations to deliver social, economic and environmental benefits to our members, communities and other stakeholders.

In 2018, an average of 6.2% of LECU’s pre-tax income went to community donations and sponsorships, compared to an average of less that one percent for the ‘big five’ banks.

Ecoloans Program



As a financial co-operative, we adhere to the co-operative principle ‘concern for community’ and the co-operative value ‘social responsibility’ by supporting and promoting environmental responsibility within our organization and in our communities. In 2018, we forfeited nearly \$16,000 in interest revenue through our Ecoloans Program. This program offers members heavily discounted interest rates to finance environmentally-friendly home upgrades or hybrid or electric vehicles. With this program, our members save money while helping to save the environment!

Financial Services to over 300 Community Organizations

LECU provides FREE banking services to over 300 community and not-for-profit organizations. This equals \$11,325 in forfeited bank fees—money that stays with the organizations that are working hard to make our communities a better place to live and work.



Low or No Fee Banking for Seniors



As part of our commitment to age-friendly banking practices, we offer no or low fee banking to our senior-aged members. A total discount of \$23,850 was given to these valued members in 2018 alone.

Growing Our Future Childcare Co-operative

An important part of being a financial co-operative is demonstrating the principle co-operation among co-operatives. We are so proud of the success of the Growing Our Future Childcare Co-operative (GOFCC), which opened its doors in June 2018, in large part due to the financial and administrative support of LECU. In addition to the nearly 100 hours of volunteer time given to this childcare co-operative by LECU staff, LECU has also granted the GOFCC a non-interest-bearing mortgage which saves the centre over \$17,000 per year. This money helps the GOFCC sustain its operation and provide high-quality, affordable childcare services to nearly 40 families in the Port aux Basques region.



Donations and Sponsorships



In 2018, LECU gave nearly \$13,000 in donations and sponsorships directly to non-profit and charitable organizations in our communities. We understand the important role that these organizations play in the economic and social sustainability of our region.

Volunteer Hours

In 2018, LECU staff members donated an impressive 1,530 hours of their time to community causes—433 of these hours were during work-time. The value of those work time hours was \$11,691. This is a great example of how LECU uses in-kind contributions to help our communities.



Each One, Teach One Financial Literacy Series



Each One, Teach One workshops are about providing financial information to empower people, not to sell products. In 2018, LECU delivered 13 EOTO workshops to over 310 participants on topics ranging from basic banking and building healthy credit to retirement readiness and financial wellness for seniors. When people are empowered to make better financial decisions, everyone wins!

SOCIAL RESPONSIBILITY (CON'T)

School Savings Program

LECU's School Saving Program is offered in five schools throughout our region. The program provides young students an opportunity to build their savings through an education-based, in-school program. In 2018, LECU staff members collected over 800 deposits. The children who participate in this program are growing their savings and building great financial habits—they have so much fun, they forget that they are learning!



Porpoise



True to our name, Leading Edge Credit Union is leading the pack when it comes to employee engagement and participation in community impact activities. In partnership with Porpoise, we measure and track our engagement so that we can report to you, our member-owners, on the great work that we do on your behalf. In 2018, 83% of LECU staff members participated in our community impact activities. Through our commitment to our co-operative principles and values, LECU provides 'banking that goes further'.



TEAMWORK



SOCIAL RESPONSIBILITY (CON'T)



SOCIAL RESPONSIBILITY (CON'T)



Community Spotlight

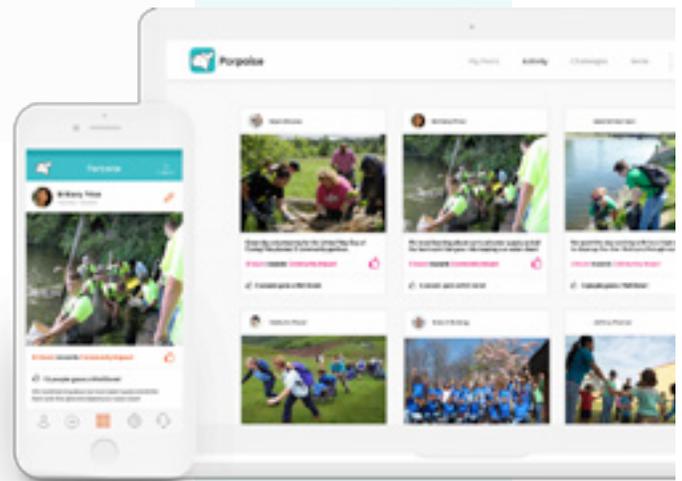
Leading Edge Credit Union

For International Volunteer Day we wanted to highlight a Porpoise client that has been going above and beyond in their community. When we met with Leading Edge Credit Union for the first time, one thing struck us immediately- as an organization they were investing a ton of their time (both personal and company time), and other resources back into the community.

Giving back is built right into the credit union model. Because of the way credit unions are structured, Leading Edge is able to charge lower fees for their members, which allows them to pass on those savings both directly to their members as well as through community investment.

About Their Programs

- Event sponsorship
- Non-profit donations
- Volunteerism both on company time and personal time
- School Savings Program
- Financial literacy workshops



Leading Edge Credit Union's employees are a group of passionate and generous community leaders. The fact that Leading Edge Credit Union supports and promotes giving back likely played a considerable role in attracting many of their employees to work there in the first place! From financial literacy workshops to funding local events and causes, these programs are leaving a lasting impact on the local community.

Their Impact Powered by Porpoise

As a company they have supported 118 organizations in 2018. Employees have volunteered over 1,530 hours, with 433 of those hours on company time. Their volunteerism translates to a dollar value of over \$41,000! Additionally, their forfeited revenue for community and environmental initiatives was \$67,963.

They've also sponsored countless events and made donations to a number of worthy causes throughout the year, one of which was the Growing Our Future Childcare Co-operative Centre, a reality made possible thanks to the generosity of Leading Edge Credit Union.

Leading Edge Credit Union also offers free financial literacy workshops to seniors, high school students, and everyone in between. They call this program Each One, Teach One. These workshops and courses cover a number of topics from budgeting basics to home ownership. It's a great initiative that is designed to empower people to make the right financial decisions for themselves and their families. In 2018, Leading Edge Credit Union offered 13 of these courses.

LECU also places a high value on education. In addition to offering a number of scholarships to students each year, they also run financial literacy training in local elementary schools called the School Savings Program. This program has resulted in 802 deposits taken, and offers fun and engaging lessons on the value of money and the principle of saving.



2018 IMPACT REPORT

Impact Report | Powered by Porpoise



Impact report powered by Porpoise.

#CelebrateTheGood

www.porpoise.com

Join us as we **#CelebrateTheGood** that Leading Edge Credit Union is doing in the community and for their stakeholders at large!

SCHOLARSHIPS

LECU Community Scholarships

In 2011, Leading Edge Credit Union developed seven community scholarships to be presented in the schools in the areas in which we serve. We wanted to recognize the importance of education. These scholarships are valued at \$250 and each are open to all Level 3 students who are pursuing post-secondary education. The award recipients are selected by the school's scholarship committee, generally made up of Level 3 teachers. The recipient is a student who is pursuing post-secondary education, and demonstrates the values and principles of co-operatives. The awards are presented by a LECU representative at the respective ceremonies in December, with the exception of Corner Brook, who holds their ceremony in June.

A.F. Walker Scholarship

Leading Edge Credit Union administers a scholarship yearly on behalf of Mr. A.F. (Gus) Walker. This scholarship commemorates the unique contribution made by A.F. (Gus) Walker in the creation of Brook Street Credit Union. Gus Walker was a firm believer in the role that the co-operative movement could play in helping people become self-reliant. During the more than forty years he worked at the Corner Brook Mill, he held every executive position, including President of the Paper Makers Union. For ten years he was President of the Bowater's Employee Benefit and Welfare Association which imported and sold coal to its members at a significant savings. Through careful management, the association accumulated a surplus of \$80,000.

When oil replaced coal as the preferred heat source, the coal yard went out of business and its two employees faced loss of their jobs. Gus Walker had the idea to use the surplus to start a credit union. Under his leadership, members were signed up. The staff, Walter Simms and James Dingwell, were trained in credit union management at St. Francis Xavier University in Nova Scotia and on November 21, 1963, the Brook Street Credit Union became a reality.

In July 2009, Brook Street Credit Union amalgamated with Codroy Valley Credit Union to form Leading Edge Credit Union. It was with great pleasure that the contact for this scholarship, Mr. Michael Walker, extended the scholarship to all members of Leading Edge Credit Union's branches on the southwest coast.

The criterion set out by the Walker Family for this scholarship consists of the following:

- Students must be Leading Edge Credit Union members or children/dependents of members.
- The student must be beginning their 1st year of post-secondary studies at a recognized institution.
- Students must be registered in full-time studies with a minimum duration of three years.
- Students must submit a final transcript of marks.
- Students must present proof of enrollment in a recognized post-secondary institution.
- Students must complete a brief application form including a brief description of financial needs (specifying other bursaries received for the current school year, contributions from summer employment, etc.)
- Students must provide a 200 - 500 word essay, with their application form, on one of the following topics:
 - A historical view of the Credit Union Movement in Newfoundland;
 - The difference between Credit Unions and Banks; or;
 - A description of the credit union and other co-operative organizations in your community.
 - Award recipients must be willing to have their award acknowledged by Leading Edge Credit Union Limited and media.

Scholarship Winners for 2018 were as follows:

| School | Recipient |
|----------------------------|-----------------|
| Appalachia High | Laura Gough |
| Belanger Memorial | Brady Aucoin |
| Corner Brook Regional High | Noah Penney |
| E.A. Butler All Grade | Mitchell Downey |
| Grandy's Rivers Collegiate | Cindy Bond |
| St. James' Regional High | Chloe Munden |
| Pasadena Academy | Marco Zilling |



At Leading Edge Credit Union (LECU), we strive to assist all our members to meet their financial goals by providing advice and services with a focus on the members' best interests. In partnership with Eagle River Credit Union, we are pleased to announce the addition of Jack Lessel to our team. Jack is excited to bring the services of Credential Securities to our members.

With nearly nine years of experience in the financial industry, Jack is available to assist members of LECU with their investment planning needs by providing comprehensive advice for retirement, estate planning, investments and risk management. He possesses in-depth knowledge of industry products and services to deliver sound advice based on your financial goals. Jack also has expertise in advising business clients with succession, wealth, and estate planning, as well as group and retirement benefits. Jack will work with you at no charge to create a personal or business financial blueprint you can follow to help achieve your monetary objectives.

Jack holds a Bachelor of Commerce Degree from St. Mary's University and is IIROC licensed. He has completed many industry courses through the Canadian Securities Institute and holds the industry leading Chartered Investment Manager (CIM) designation. A Halifax native, Jack is excited to have settled in Corner Brook. He is looking forward to everything our beautiful province has to offer.

LECU is thrilled to have Jack on the Credential team and is pleased to continue making this valuable service available to our members. You can reach Jack at:

Credential Financial Strategies Inc.
2 Herald Ave. Millbrook Mall
Corner Brook, NL A2H 4B5

709-634-0405

jlessel@lecu.ca

AGENDA

Leading Edge Credit Union Limited
Annual General Meeting
March 27, 2019
Royal Canadian Legion St. George's
6:30 p.m.

1. Establishment of Quorum
2. Adoption of Agenda
3. Adoption of Minutes of the 9th Annual General Meeting, April 15, 2018
4. Business Arising from Minutes
5. President's Report
6. Chief Executive Officer's Report
 - Presentations
 - Community Impact Report
7. Audit Committee Report
8. Legislative Committee Report
 - Election Results
 - Dividend & Patronage Payouts
9. Greetings
10. New Business
11. Adjournment

1.0 Establishment of Quorum

At 1:48 p.m., Gary O'Brien, President and Chair of the Board, called the Annual General Meeting to order and invited Rhoda Pumphrey, Manager of the Jeffrey's Branch of the Leading Edge Credit Union, to report attendance.

Rhoda confirmed that, of the 78 people in attendance, 58 were eligible shareholders. Therefore, pursuant to section 8.06 of our bylaws, the meeting is duly constituted.

Before the meeting, each attendee had the opportunity to review the minutes of the 02 April 2017 AGM and the Agenda for this, the ninth AGM. The AGM Booklet was also posted on LECU's website prior to the meeting.

Gary acknowledged the presence of staff, Board and special guests. He extended a special welcome to members of the former Codroy Valley Credit Union Board and warmly welcomed Credit Union Deposit Guarantee Corporation representative, Brendan Doyle.

2.0 Adoption of the Agenda

No changes indicated.

18/04/15-01

MOTION: To adopt the agenda of April 15, 2018.

MOVED BY: Barry Simms

SECONDED BY: Dan Sheaves

MOTION CARRIED

3.0 Adoption of Minutes of 6th Annual General Meeting

Gary asked if there were any errors or omissions in the minutes. None indicated.

18/04/15-02

MOTION: To adopt the minutes of April 2, 2017.

MOVED BY: Janet Willis

SECONDED BY: Randi Alexander

MOTION CARRIED

4.0 Business Arising From Minutes

NIL

5.0 President's Report

Gary O'Brien presented the President's report with the aid of a PowerPoint presentation. The report, in its entirety, was included in the AGM Booklet. Gary noted the following items:

- Financial targets were achieved.
- Consistent with previous years, lending and deposit growth were positive, which is indicative of the strong team we have at LECU.
- Contrary to membership trends across the province, our membership grows every year; LECU had its 8th consecutive year of patronage and dividend rewards for a total combined amount of \$644,254, with returns in one year reaching as high as \$279,731.
- Plans for the upcoming year are to focus on growing the number of products and services utilized by our members.
- The leadership Leading Edge provided to help in creating the Growing our Future Childcare Co-operative. The center had its first open house this past Friday, April 13, 2018. Gary made special mention of Cory Munden, Candace Matthews and Janet Willis, who have all stepped up from LECU to join the board of the newly formed co-operative.
- Members of the board met 6 times throughout the year and successfully completed 13 training courses. This has allowed 6 of our 9 Board Members to retain their status in the Credit Union Director Accreditation Program.

Gary finished his report by thanking the CEO and staff for their continued efforts to generate the high level of customer service valued by our members. He also congratulated our CEO, Cory Munden, on the successful completion of his Master of Management Co-operatives and Credit Unions, with the acknowledgement that this degree will serve both Cory and Leading Edge Credit Union well in the years to come.

18/04/15-03

MOTION: To adopt the President's Report for 2017, as presented.

MOVED BY: Barry Simms

SECONDED BY: John Healey

MOTION CARRIED

6.0 Chief Executive Officer's Report

Cory Munden presented the CEO's Report with the aid of a PowerPoint presentation. He thanked the special guests, especially those who travelled significant distances to attend the AGM. Cory also thanked the staff members who helped make the AGM possible. Cory referred to the history of the united communities branch of our credit union, mentioning the efforts residents made to establish a financial institution in the Bay St. George South Area.

The following points were highlighted in the CEO's report:

- The profit-based view of big banks, versus views held by credit unions. Big banks lean towards profit-based decisions, while credit unions keep the well-being of members and the community at the forefront of their decision making.
- The important value to our members of being an organization that makes their community a better place and offers affordable products and services with exceptional customer service. All the while being an organization that members can trust.

In a recent survey:

- 79% of LECU members indicated that LECU provides them with access to loan and deposit rates that suit their needs.
- 90% of members indicated that LECU provides them with all the products and services they need.
- 69% of members indicated that LECU provides reasonable service charges.
- 94% of recently-pollled members indicated that they feel LECU does what is best for them, the community and the credit union. This holds great value in the wake of media scrutiny of financial institutions for deceitful practices.
- LECU's member satisfaction rating is 97.2% with a net promoter score of 69, a phenomenal accomplishment. Many credit unions in Nova Scotia at the same time, scored net promoter scores in the mid 30's.
- Changes to our Mission and Vision statements, which now focus more strongly on working towards the best interests of our members.

Cory presented the financial report, focusing strongly on the areas of loan growth, membership growth, deposit growth, and net income. LECU had growth in each area, with loans growing by as much as \$6,390,000, membership growth of 260 members, deposits growing by \$5,720,000 and net income increasing by \$36,301. He noted that the Jeffrey's location has always been a strong location, which is essential to the growth and success of LECU. In 2017, Jeffrey's branch was responsible for 39.6 % of LECU's net income with an amount of \$164,511.

Cory concluded his presentation by inviting questions; there were none.

18/04/15-04

MOTION: To approve the Chief Executive Officer's Report as presented.

MOVED BY: Jerome Battiste

SECONDED BY: Kevin Lee

MOTION CARRIED

COMMUNITY IMPACT PRESENTATION:

Candace presented to members a brief summary of her new role at LECU as the Member Relations and Communications Specialist. She discussed the key initiatives she will be spearheading over the year to come, including, but not limited to:

- Support of strategic objectives
- Developing and leading internal and external communications programs, to improve awareness and understanding of the credit union.
- Leading activities that demonstrate the co-operative difference.
- Providing communications advice and support to management and staff.

Candace then discussed what LECU has done in the past year to fulfill our new vision and mission. She noted in particular:

- Fees waived from accounts for seniors and volunteer associations for a total of \$23,150.
- 1,713 volunteer hours
- 1,459,600 pages recycled, saving approximately 162 trees.
- 10 education sessions helping community groups learn more about handling their finances.

Candace finished her presentation by discussing the impact LECU hopes to have in the year to come. In the future we will be looking to work as a collective with our members to make an even larger impact. It is her goal not to just donate funds, but to work with community groups to make for better places to live, work and play.

PRESENTATIONS:

Years of Service Awards –presented by Cory Munden, Gary O’Brien and Joanne Martin:

- Five years of service – Janet Willis, Dale Lomond, Jocelyn Deluney, Aileen Lushman, Vanessa Elms, Kelly Thorne, Mindy Gillingham
- Ten years of service – Randi Alexander, Jody King, Lydia Bennett, Geneva Taylor, Sandra Brockway
- Fifteen years of service – Gary O’Brien, Terry Hardy
- Twenty-five years of service – Don Rideout

Staff Awards – presented by Cory Munden, Gary O’Brien and Joanne Martin:

- Individual Community Impact Award – Roseanne Brake
- Branch Community Impact Award – Jeffrey’s
- Annual Member Protection Award – Donna Bailey
- Hubert Hall Memorial Staff Award – Martina MacDonald
- Dedicated Service Recognition – John Healey

7.0 Audit Committee Report

Janet Willis, Chair of the Audit Committee, noted the core functions of the Audit Committee and advised the members that, as in prior years, this year’s audited financial statements were without reservation. This is a strong testament to how well our organization is run and the staff who work diligently each day.

18/04/15-05

MOTION: To adopt the Audit Committee Report, as presented.

MOVED BY: Barry Simms

SECONDED BY: Tony Leamon

MOTION CARRIED

8.0 Legislative Committee Report

Barry Simms, director, presented the Legislative Committee report on behalf of William H. Coates, Chair of the Legislative Committee, who could not be present at the meeting. He noted that the report, in its entirety, is included in the AGM Booklet.

Barry thanked the team at Three Rivers Lions Club for the wonderful meal and accommodations for our AGM. He also took the time to welcome new employee Joanne Martin to the team, and to her first AGM.

Barry noted the responsibilities of the Legislative Committee and the importance of what they did throughout the year.

18/04/15-06

MOTION: To adopt of the Legislative Committee Report as presented.

MOVED BY: Cory Munden

SECONDED BY: Janet Willis

MOTION CARRIED

Gary addressed the meeting regarding the remuneration of the Board of Directors. Gary noted that the scheduled phase of remuneration has expired, but no one has brought forward any issues with current rates. Considering this, the directors propose no change to their remuneration for the coming year.

18/04/15-07

MOTION: To continue the remuneration of the Board for the 2017-2018 Board year equal to that which was approved by membership for the 2016-2017 Board year.

MOVED BY: Dan Sheaves

SECONDED BY: Cory Munden

MOTION CARRIED

9.0 Greetings

The Chair invited Brendan Doyle, Member of the Board of the Credit Union Deposit Guarantee Corporation (CUDGC), to address the meeting.

Greetings: Address from Brendan Doyle, CUDGC

Brendan brought greetings on behalf of the Minister of Service NL, Hon. Sherri Gamblin-Walsh, and the members of the Credit Union Deposit Guarantee Corporation (CUDGC).

AGM 2017 - MINUTES (CON'T)

Brendan reviewed how well Credit Unions have performed in Newfoundland and Labrador in recent years with 9 credit unions in 38 locations across the province. Brendan made special note of LECU's ability to stand out amongst other credit unions, with above average results in loan growth, deposit growth, net income and most exceptionally, in member growth.

Brendan discussed in detail the fact that a big initiative for CUDGC this coming year will be a review of the acts and regulations for Credit Unions. He also commended Cory for a job well done in a recent meeting regarding the changes proposed, during which he was asked to highlight ideas of where we are, where we need to go, and the importance of the legislation being put in place to allow this.

Brendan explained that two key members, Bill Langthorne and Julian McCarthy, of CUDGC are preparing to retire in the coming years. This will be a tremendous loss for Credit Unions across Newfoundland, as both representatives have obtained a vast knowledge of the credit union system and will be nearly impossible to replace. Brendan advocated the fact that now is a key time to have this review completed and pushed through legislation before we lose their high level of expertise. He also discussed the importance of LECU having their chance to have their say in the changes that are to come.

Brendan commended LECU's Chair, Gary O'Brien, for his dedication to the credit union movement and his work with the Chairs of other credit unions in the provinces. He also acknowledged Gary's presence on the Boards of the Atlantic central and the Newfoundland and Labrador Federation of Co-operatives.

Brendan thanked LECU for the invitation to attend the AGM. He offered special congratulations to the Board and staff for the excellent AGM attendance and a well-organized meeting. He ended his address by wishing LECU a successful 2018.

The Chair thanked Brendan for his address.

10.0 New Business

Election Results: Gary discussed the 2018 Election results. Out of 6917 eligible shareholders, there were 220 returned ballots. Successful candidates were Bruce Burton, Tony Leamon, and Gary O'Brien.

The Chair congratulated successful candidates.

18/04/15-08

MOTION: Motion to destroy the ballots.

MOVED BY: John Healey

SECONDED BY: Barry Simms

MOTION CARRIED

Dividend and Patronage Refund: Gary made the official announcement that there would be a distribution of eighty-seven thousand, seven hundred and thirty-six dollars in the form of a dividend and/or patronage refund. This decision, however, requires the approval from members present.

18/04/15-09

MOTION: Pursuant to Section 29 of The Credit Union Act, that members approve a distribution to members, in the form of a dividend and/or a patronage refund, an amount up to eighty-seven thousand seven hundred and thirty-six (\$87,736).

MOVED BY: Cory Munden

SECONDED BY: John Healey

MOTION CARRIED

11.0 Adjournment

With the stated business of the ninth Annual General Meeting completed, the Chair requested a motion to adjourn at 3:12 p.m.

18/04/15-10

MOTION: To adjourn the ninth annual meeting of Leading Edge Credit Union.

MOVED BY: Perry Keeping

MOTION CARRIED

Duly Signed:

Gary J. O'Brien,
President

William H. Coates,
Corporate Secretary

Director

Director

MESSAGE FROM THE PRESIDENT

To all Owner-Members of Leading Edge Credit Union,

Welcome:

Welcome, fellow members, to our 10th Annual General meeting. I am very proud to report to you, the owners and members of Leading Edge Credit Union (LECU), on the performance of our co-operative. The year ending 2018 was better than expected and deemed quite successful. The major financial targets were met, and key areas of lending and deposit growth remain progressive. Membership growth continues to be positive. As this is our 10th anniversary, please indulge me in reflecting on the past ten years, our present state of operations, and what the future will hold for LECU and credit unions from my perspective.

The Past Decade:

July 1, 2009, Codroy Valley Credit Union and Brook Street Credit union finalized an amalgamation to merge our two Credit Unions. The merging created LECU, with a size of \$63 million in assets and an estimated 5,500 members. A decade later, we have five branches and a corporate office operating on the West Coast of Newfoundland with \$122 million in assets and 8,830 unique open number members. Wow! This is a significant growth considering our credit union operates in a competitive environment, in a large geographical area that is low in population.

The Present State:

We have products and services, as well as rates and fees, that are equal to, or better than, the top five banks. We have expanded our reach in areas of risk, auditing, and marketing to enable better service to our members. Furthermore, we have expanded the reach of our co-operative values through a significant investment in creating a co-operative daycare. We continue our investment and our leadership in the co-operative movement in NL through our membership and participation on the Newfoundland and Labrador Federation of Co-operatives (NLFC) board of directors. Our commitment continues via our investment in co-operative education; we are working with NLFC, CUSOURCE, and St. Mary's University in the support and development of the CanadaDE program, as well as the master's program in co-op development through our participation and mentorship.

The Future:

I admit I do not have a crystal ball that will give us certainty, so this is just the Board's perspective from many years of experiences and intuition of how this market is trending. I have said this to you, the members, many times over the past ten years: A successful credit union constantly faces many complexities and challenges. We are the "David" in the "Goliath" world of competitive financial enterprise. To maintain your patronage and serve you effectively and efficiently in this financial environment, we must continue to invest in products that allow access to your financial affairs with ease and convenience. Our entire industry is faced with these ongoing market changes; however, we are small with minimal resources, and they are huge with endless resources (hence, my analogy of David and Goliath).

We cannot do this alone. It is important, while we are strong, to display leadership within the credit union system of Newfoundland by seeking out economies of scale to create solutions that bring value to all members served in this province. For the past two years, LECU has been advocating for credit unions in our province to consider the gains we can provide to our membership via mergers. We have initiated several conversations to advance this thinking. We hope to see some results of these efforts this year for a probable model that will better serve our members.

We do not know where this will lead. We know something needs to happen, and your Board intends to show the necessary courage and leadership to pursue the best result for our membership. We will keep you informed as this evolves. Whatever resolves from our efforts, we will require the support of the membership per our regulations, legislation, and by-laws. Ultimately, it is our responsibility to do the required due diligence and submit our recommendation to the membership for a decision.

Board Governance:

As part of our responsibilities, the Board of Directors met six times last year. In addition to these board meetings, your Directors also met numerous times to attend to committee matters. Each Director was responsible to serve on at least two of the following committees: Executive/HR, Audit, Legislative, and Corporate Social Responsibility. Annually, the Board participates in at least one strategic planning session, at which the credit union's business plan is reviewed and updated. As indicated, we have committed to continuing to "think outside the box" when planning for our future.

MESSAGE FROM THE PRESIDENT (CON'T)

We are determined to remain strong and to be a well-managed Credit Union; we will continue to be a leader in the Atlantic system. I am proud to represent your credit union through my positions on the boards of our two credit union Atlantic Central and League Savings and Mortgage. A key component to LECU's vision and mission is our commitment to the co-operative principles and values. My participation on the board of the Newfoundland and Labrador Federation of Co-operatives helps to position Leading Edge Credit Union as a leader in the provincial co-operative movement.

I want to extend a special thank you to Lyndon Combdon, who has been a board member with LECU for the past three years. Lyndon has decided not to run for re-election this year for personal reasons. Lyndon has been a valuable contributor to LECU governance these past three years. I want to thank him personally, as well as on behalf of the board and senior management for his commitment.

As a Board, we continue to be extremely active in our professional development. We recognize that such an investment better prepares us for the fiduciary responsibilities we have accepted for our credit union. In 2018, members of the Board completed a total of 26 training courses and educational opportunities; 50% of

our nine directors are fully trained in the Credit Union Director Accreditation Program, and the remaining 50% are well-advanced toward accreditation. LECU is well above average in board development within the Atlantic Credit Union system.

LECU Corporate Performance:

Let me close by saying a huge thank you to our entire LECU team. LECU's employees, directors and members can be proud of another successful fiscal year. We are quite pleased with the ability of staff to keep pace with the demands of growing your credit union. Your patronage to LECU for your financial needs will enable us to attain ongoing financial success by achieving all our goals; this ultimately leads to a sharing of that success through dividends and patronage to you, the owner-member. Working together, we can be the community financial institution of choice, meeting your every financial need. We will move confidently into the future, exemplifying the co-operative spirit every step of the way.

Co-operatively yours,

Gary J. O'Brien
Chair of the Board, President of LECU



MESSAGE FROM THE CEO

To all Owner-Members of Leading Edge Credit Union,

I am pleased to have the honor of bringing forth a report on the success of Leading Edge Credit Union for the year ending 2018.

In 2018, we continued to focus on the necessary initiatives to meet our vision of assisting our members in meeting their financial goals. To be successful as an organization, the membership must experience value in their own financial institution. In deriving member value, three areas of concentration were selected:

1. Access to affordable products and services.
2. Access to knowledgeable and professional staff.
3. Demonstration of the co-operative principles and values by the credit union.

The financial industry is changing dramatically, and it is mostly driven by new and emerging technology. Consumers today have grown accustomed to frictionless transactions and convenience and consider these items when it comes to making decisions. Online shopping and mobile apps, which provide consumers access to products and services from their computer or phone, have been very successful, and are growing rapidly as the preferred choice when making purchases. Members of Leading Edge Credit Union expect and want their credit union to be on par with the competition for its products and services offering. In 2018, further investments were made in the adoption of products and services like *Interac*® Online, the ability to use the debit card for online purchases. A significant project that was successfully implemented was the switch to our own credit card offering to our members. In the past, our credit card was managed by a chartered bank affiliate and I am pleased to report that today our cards are entirely owned and operated by credit unions. The enhanced revenue we will receive in this new relationship will provide a better opportunity for Leading Edge Credit Union to return more surplus earnings to its membership while also providing them with enhanced credit card benefits. The 2018 member satisfaction survey indicated that 85% of survey respondents were very satisfied with the suite of products and services that Leading Edge Credit Union offered.

Members need the confidence that their interaction with Leading Edge Credit Union staff will be positive. To receive wise financial advice, members need access to staff that have extensive knowledge of all available products and services, as well as deliver the advice in a professional manner. A continued focus on training and development of the staff produced 189 courses being completed. Also, 100% of the staff completed the "Member First" training, which focused on having the right conversations with members with a concentration on ensuring we always do what is in the best interest of the membership. In 2018, 97.2% of member survey responders indicated that they were satisfied with the service they receive from all departments within Leading Edge Credit Union.

Leading Edge Credit Union is a consumer financial co-operative. It is operated with seven co-operative principles which provide a unique value proposition to its members. The principle of ownership provides for members the opportunity to actually own the credit union and share in its success. In 2019, Leading Edge Credit Union will once again return \$23,972 in the form of dividends back to its members for the year ending 2018, with a total of \$668,226 since Leading Edge Credit Union was formed.

Our focus on the principle of concern for community has elevated Leading Edge Credit Union as a leader amongst credit unions in building better communities. In 2018, your credit union forfeited \$67,963 in revenue to improve accessibility to financial services for members such as non-profit organizations and senior account holders. These account holders are now able to use money normally directed as fees to better their cause or to improve their standard of living. Credit unions in Canada are known for their contributions to the communities in which they serve. Credit unions nationally contribute over 5% of pre-tax profit to community development initiatives compared to less than 1% by the National banks. I am pleased to report that your credit union also contributed 5% (equal to \$26,383) back into the communities in which we serve.

MESSAGE FROM THE CEO (CON'T)

The co-operative principle of education, training, and information is best demonstrated in our credit union by the 13 educational sessions completed in our communities in 2018. It is important that our members and community citizens are knowledgeable about a wide array of topics that could impact their financial and mental health. We are committed to bringing wise advice to our members on a regular basis.

An organization is only as good as its people, and I would like to thank the board of directors and employees of Leading Edge Credit Union for another successful year. As indicated in this report, a strong focus on ownership and community value would not be possible without the dedication and hard work of those intimately involved in the operation of your credit union. I would also like to thank the owners of LECU, as without your continued commitment to your financial co-operative, people and communities would be underserved.

Co-operatively yours,

Cory Munden
Chief Executive Officer

“The principle of ownership provides for members the opportunity to actually own the credit union and share in its success.”



AUDIT COMMITTEE REPORT

To all Owner-Members of Leading Edge Credit Union,

The Audit Committee was active over the past year, having met on four occasions to perform its duties on behalf of the Board of Directors. The core function of the Audit Committee is to be the liaison between the Auditor and the Board of Directors.

Consistent with previous years, LECU had two audits completed by Mr. Smith. The first Audit was an internal audit, that focused on processes and procedures and ensuring LECU does what it says it will. The second audit was the Audit of the Financial Statements; this audit is to ensure that the Financial Statements represent the actual position of LECU and that the appropriate accounting standards have been followed. These audits have been reviewed by the Audit Committee and presented to the Board. I am pleased to say that both audits went well and there were no items that were of great concern reported to the Audit Committee.

This year LECU was required to implement a new accounting standard, IFRS 9, that changes the way companies account for the potential loss on loans according to risk class. It is a testament to our management team as well as our auditor Mr. Smith, that we were ready and able to make this change and implement it as smoothly as we did.

LECU continues to maintain and follow strong processes, procedures and controls that protect our members' assets. It is important to note that LECU also has a robust Enterprise Risk Management (ERM) strategy. ERM is a framework to assess the risks inherent in our business and ensure there are appropriate controls in place to offset this risk. LECU has a duty to their members to manage the money that it holds on deposit appropriately.

At the time of writing of this report, there were no unresolved issues between the Committee, the Credit Union Deposit Guarantee Corporation and the external auditor. Any concerns that arose during the year were addressed in a professional and satisfactory manner by management.

I would like to take this opportunity to thank the Management and Staff of LECU. Not only do you all act as professionals in your day to day jobs but you have embraced the co-operative way. Your involvement in our communities, your willingness to help and the way you make a difference is appreciated beyond measure. We remain a successful Financial Institution and continue to grow because of you. As a Director and member of LECU, we could not ask for better.

Co-operatively yours,

Janet Willis, CPA-CGA
Chairperon, Audit Committee



LENDING COMMITTEE REPORT

To all Owner-Members of Leading Edge Credit Union,

In 2018, the Lending Committee continued to be very active in fulfilling its roles and responsibilities. The committee delivered a number of reports to the Board of Directors outlining required disclosure items such as total delinquency, write-off's, loans with total debt service ratio (TDSR) over 40%, and bankruptcies. The committee recommended the write-off of loans in the amount of \$247,593.17

The Manager of Lending Services provides critical support to the Lending Committee by ensuring all financial industry trends and best practices are considered for implementation. The monitoring and supervision of the lending portfolio is managed through monthly audits. This position also assists in the management of the delinquency portfolio and collection processes.

The Lending Committee is also responsible for reviewing all credit requests for staff, board and committee members. In 2018, there were 21 approvals totalling \$1,274,022 of credit for these members.

The committee would like to outline the following loan report for the year ending December 31, 2018:

| Type of Loan | Total Number | Total Value |
|------------------------------|--------------|---------------|
| Current Loans and Mortgages | 2881 | \$104,186,212 |
| Impaired Loans and Mortgages | 70 | \$1,708,642 |
| TOTAL | 2951 | \$105,894,854 |

We would like to take the opportunity to thank our staff for their co-operation and assistance in performing the mandate of the Lending Committee.

Co-operatively yours,

Trudy S. Keeping
Manager Lending Services



To all Owner-Members of Leading Edge Credit Union,

Our CSR Vision

Leading Edge Credit Union will be a leader in enhancing the long-term sustainability of the communities it serves. Our CSR practices will be integrated throughout our business operations and will deliver social, economic, and environmental benefits to our members, communities and other stakeholders.

In 2018, the CSR Committee established the above vision statement to better align with the mission and vision of Leading Edge Credit Union (LECU). This statement represents the Committee's commitment to ensuring that LECU is a sustainable, socially-responsible co-operative. The CSR Committee met four times over the past year to fulfill its mandate to make recommendations to the Board of Directors with respect to LECU's overall social responsibility strategy.

We pride ourselves on being an industry leader in terms of our commitment to our co-operative principles and values; in fact, we built our CSR vision directly into our business plan using a balanced scorecard. This scorecard is a tool we use to measure both our traditional areas of financial performance as well as our community impact and co-operative performance. As the name suggests, it is our commitment that our success as a financial institution and our success as a co-operative are of equal importance. In 2018, LECU continued to focus on ensuring a commitment to social responsibility for its members and communities. Some of the highlights were:

- LECU joined other community stakeholders in celebrating the opening of the Growing Our Future Child Care Co-operative. This new co-operative, formed under the guidance and support of LECU, provides childcare services to nearly 40 families in the Port aux Basques area, many of whom would not otherwise have access to high-quality, affordable child care.
- We continued our strong relationship with the Newfoundland and Labrador Federation of Co-operatives (NLFC). LECU is proud to have two staff members who are trained as Co-operative Educators and the Chair of LECU's Board, Gary O'Brien, also serves as a board member on the NLFC.
- LECU strengthened our commitment to the Each One, Teach One financial literacy program. Through the delivery of this program, LECU provides free, un-branded financial literacy education sessions on topics from basic banking and budgeting to home-readiness and retirement planning.
- Our commitment to co-operative education continued with two LECU staff members participating in CanadaDE, an internationally recognized credit union development education program, through St. Mary's University. This program brings together credit union professionals from all over the world to discuss ways in which credit unions can enhance their value to the members and communities they serve.
- The Board and Staff of LECU completed co-operative knowledge surveys which provided valuable information that will help guide future co-operative and credit union education opportunities. It is important for our Board and staff to continually improve our co-operative knowledge to ensure that we always remain focused on providing financial services to our members in ways consistent with our values and principles.
- Environmental sustainability continues to be a focus for LECU through initiatives such as our Ecoloans program, our free coffee pod recycling, our paper reduction strategy, and our support of the Western Environment Centre's e-bike share program.
- The Board was proud to approve the partnership between LECU and Porpoise, an employee engagement tool which helps LECU manage and measure community impact in an interactive, on-line platform. Porpoise helps LECU tell our community impact story to our Board, staff, members and communities.
- We built on the 2017 success of the Jeffrey's Community Enhancement Fund (50/50) in partnership with the Three Rivers Lion's Club. The purpose of this fund is to support community projects in the Heatherton to Highlands areas with over \$7,000 being raised in 2018 alone to contribute to several community causes. A similar Community Enhancement Fund will be established in each of LECU's branches in 2019.

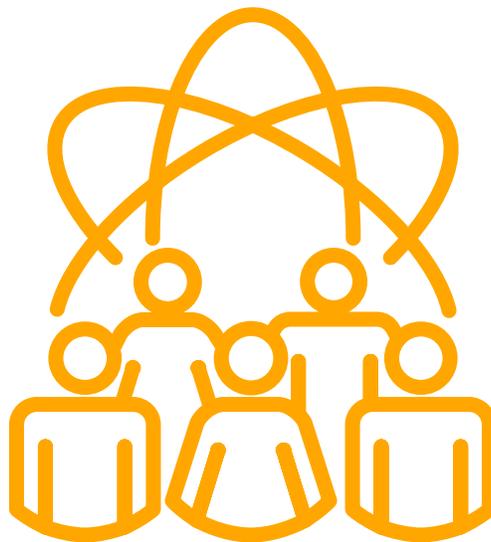
- A new position on LECU's corporate team, Member Relations & Communications Specialist, was established to support our commitment to leading activities that demonstrate the co-operative difference including, but not limited to, addressing member engagement and implementing co-operative development initiatives.

The Corporate Social Responsibility Committee also established a Work Plan to guide its focus as we move forward into 2019. This will enable the Committee to be focused and monitor progress over the life of the plan. Some focuses that were identified were: to continue the establishment of a LECU Social Responsibility Grant/Awards Program, the development of a Social Responsibility Vision Statement, updates to the Terms of Reference for the Social Responsibility Committee, the development of the 50/50 Community Enhancement fund in all Branches, continued support of environmental impact initiatives, and to support completion of award submissions for the Coady and CCUA Awards. The Committee's Vision Statement and update of the Terms of Reference have been completed while the work on the other areas continues.

I would like to take this opportunity to thank my fellow Social Responsibility Committee members for their support and active engagement over the past year. I would also like to thank the Board and staff for your daily commitment to being a socially responsible co-operative. Finally, and most importantly, I would like to thank our members and communities for supporting LECU in its ongoing commitment to creating and investing in positive economic, social, and environmental impacts in our communities.

Co-operatively yours,

Tony Leamon
Chairperson, Social Responsibility Committee



LEGISLATIVE COMMITTEE REPORT

To all Member-Owners of Leading Edge Credit Union,

Generally, the responsibility of the Legislative Committee is to oversee the governance of your credit union. The roles include:

- to review and recommend for the Board's determination any revisions deemed necessary to the constitution, by-laws or policies of the credit union;
- to review all resolutions submitted by members for consideration at general membership meetings;
- to review proposed amendments to legislation and regulations pertaining thereto and advise the Board of the most appropriate response;
- to co-ordinate the efforts the credit union may take to influence any legislative decisions pertaining to the governance and operations of credit unions that government may make;
- to recommend at the Annual General Meeting the names of persons suitable for nomination to the Board.

A couple of years ago, in anticipation of its intention to review the Credit Union Act and the Regulations pertaining to it, your credit union made initial representations to Government, to enact amendments to modernize and streamline the operating framework. This year, Government began widespread consultations preparatory to introducing the necessary amendments, and your credit union, together with others in the Province, actively participated in this effort.

Within our own sphere of operations, your Board considered policies on two levels. First was the adoption of amendments to our lending policy, which are designed to facilitate members' accessing funds on a basis consistent with market-place conditions. Second was the thrust to provide for the long-term stability of operations. This effort resulted in the development of a succession plan to provide 'back-up' for any planned or un-planned absence of the Chief Executive Officer (CEO) This detailed plan establishes procedures to cope

with any eventuality from the moment an absence is identified until the role is assigned on a permanent basis. Consistent with this thrust, the CEO has also developed and implemented a succession plan for all roles within the operating team. This was a major effort, but one that should ensure stability of your credit union and reliability of service when challenges are before us.

Finally, it is the responsibility of the Committee both to ensure that the governance team of your credit union is at full strength and to present to you for confirmation the nominees who are to serve for the next three years. At previous annual general meetings, the Committee has expressed regret that members had only nominated the minimum number of candidates, and all were acclaimed. This year we are delighted to observe that more than the minimum number of members were nominated, which required an election. While the percentage of those casting ballots was small, compared to provincial or federal elections, the improved participation of members in the governance of their co-operative (a fundamental principle) is most pleasing to those who truly believe that we can achieve more for all by working together.

Co-operatively yours,

William H. Coates
Chairperson, Legislative Committee



INDEPENDENT AUDITOR'S REPORT

To the Members of Leading Edge Credit Union,

Opinion

I have audited the financial statements of the Leading Edge Credit Union Limited, which comprise the statement of financial position as at December 31, 2018, and the statements of comprehensive loss, statement of changes in members equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Leading Edge Credit Union Limited as at December 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Entity in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and those charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these nonconsolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate,

INDEPENDENT AUDITOR'S REPORT (CON'T)

to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit

Byron D. Smith, Byron Smith Professional Corporation
Chartered Professional Accountants
Spaniard's Bay, NL
March 27, 2019



BALANCE SHEET

| As of December 31, | 2018 | 2017 |
|--|------------------------------|------------------------------|
| Assets | | |
| Cash | \$ 2,946,938 | \$ 2,286,694 |
| Cash – required liquidity | 9,040,236 | 13,300,865 |
| Investments | 3,046,893 | 3,007,039 |
| Income taxes receivable | 17,420 | |
| Future income taxes receivable | 17,575 | |
| Loans and mortgages receivable | 105,106,251 | 99,288,032 |
| Other assets | 102,904 | 148,409 |
| Property, Plant and Equipment | <u>1,549,737</u> | <u>1,330,102</u> |
| | \$ 121,827,954 | \$ 119,361,141 |
| Liabilities | | |
| Members deposits | \$ 115,284,768 | \$ 112,886,167 |
| Accounts payable and accrued liabilities | 487,977 | 385,030 |
| Dividends payable | 23,972 | 87,825 |
| Current income tax | | 18,524 |
| Future income tax | | 23,038 |
| Non-members' deposits | <u>34,298</u> | <u>30,864</u> |
| | 115,831,015 | 113,431,448 |
| Members' Equity | | |
| Retained earnings | <u>\$ 5,996,939</u> | <u>\$ 5,929,693</u> |
| | <u>\$ 121,827,954</u> | <u>\$ 119,361,141</u> |

STATEMENT OF INCOME AND RETAINED EARNINGS

| For the Year Ended December 31, | 2018 | 2017 |
|---------------------------------------|--------------------------|--------------------------|
| <hr/> | | |
| Financial Revenue | | |
| Interest | \$ 4,990,584 | \$ 4,711,675 |
| Investment income | <u>150,331</u> | <u>167,308</u> |
| | 5,140,915 | 4,878,983 |
| <hr/> | | |
| Cost of funds | | |
| Interest on members' deposits | 1,323,834 | 1,298,941 |
| Dividends paid to members | <u>19,350</u> | <u>87,736</u> |
| | 1,343,184 | 1,386,677 |
| <hr/> | | |
| Financial margin | 3,797,731 | 3,492,306 |
| Other income | <u>1,351,309</u> | <u>1,456,513</u> |
| | 5,149,040 | 4,948,819 |
| <hr/> | | |
| Operating Expenses | | |
| Members' Security | 447,033 | 414,111 |
| General business | 1,972,733 | 1,835,590 |
| Personnel | <u>2,304,269</u> | <u>2,217,717</u> |
| | 4,724,035 | 4,467,418 |
| <hr/> | | |
| Net income before income taxes | 425,005 | 481,401 |
| <hr/> | | |
| Income taxes | | |
| Current tax expense | 50,052 | 67,378 |
| Future tax recovery | <u>(40,613)</u> | <u>(1,634)</u> |
| <hr/> | | |
| Total Comprehensive Income | <u>\$ 415,566</u> | <u>\$ 415,657</u> |

CORPORATE OFFICE

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PO Box 70
Grand Bay East, NL A0N 1K0
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CORNER BROOK BRANCH

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PO Box 713
Corner Brook, NL A2H 6G7
Tel: (709) 634-4632

DOYLES BRANCH

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ST. GEORGE'S BRANCH

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