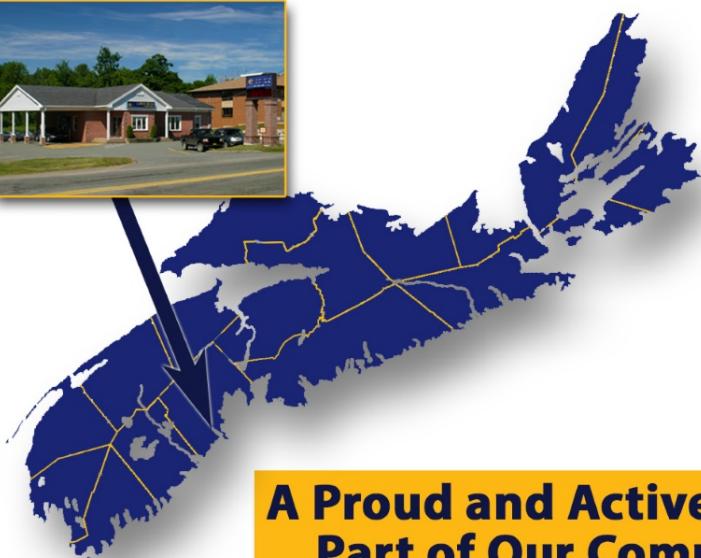


2019 Annual Report

LaHave River Credit Union



**A Proud and Active
Part of Our Community**

LAHAVE RIVER
 CREDIT
UNION

Banking For Everyone

Βασικινδ Ἐοι Ελειλονε

2019 Annual Report

2019 in Review - Reports - Financials

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Annual General Meeting

June 29, 2020 - 7:00 PM

Online

LaHave River Credit Union

29 North St. Bridgewater, NS B4V 1R9

LAHAVE RIVER



Banking For Everyone

2019 Annual Report

2019 in Review - Reports - Financials

Meeting 7:00 pm

Agenda – June 29th, 2020 – Online

Call to Order and Greetings

Opening Remarks, Purpose of Meeting and Introductions

Approval and Business arising from the minutes of the last meeting

Report of the Chair

Report of the Auditor

Report of the Audit Committee

 Nomination of Auditor for 2020

Report of the CEO

Report of the Nominating Committee

Other Business

Closing Remarks

Adjournment

TOGETHER WE CAN INVEST

IN OUR COMMUNITY AND OUR LOCAL ECONOMY.

LAHAVE RIVER



Banking For Everyone

2018 Annual General Meeting Minutes

March 18, 2019

Bridgewater Legion

78 Churchill St.

Bridgewater, NS

Registration 6:00 pm, Meal 6:20 pm, Meeting 7:00 pm

Frank Fawson Vice-Chair called the meeting to order at 7:09 pm there were 41 members and 1 guest present. Frank volunteered to preside over the meeting in place of David Maxwell who was sick that evening.

Frank introduced the Board and Staff members. Frank explained the purpose of the meeting is to discuss the 2018 financial and business dealings of the Credit Union. A quorum was met as forty-one members and 1 guest were in attendance. A number of members equal to the number of Directors plus five constitutes a quorum for all meetings of the members. Proper notice was given through Website, in-branch and Facebook as well as our outdoor sign.

A minute of silence was observed for those members who had become deceased since the last AGM.

Motion

Moved by Patrick Henry, seconded by Barb Wicks that the agenda be approved as submitted. Motion carried.

Motion

Moved by Amanda Rogers, seconded by Patrick Henry that the minutes be approved. Motion carried.

Business arising for the 2018 minutes.

NIL

President's Report

Frank Fawson gave an overview of David Maxwell's Board Chair Report. LaHave River Credit Union is very community minded; we give to our community and we also give part of our profits back to our membership.

Frank spoke about a some very important program that we are involved in.

1. Each One Teach One - We deliver this program to members of our community.
2. Helping Hand Financing - This program helps clients stop living pay check to pay check to being able to manage a budget and their finances.
3. Green Loan Program - Provides low cost loans for energy upgrades.

Frank gave an overview of the technology that we have. He called for questions from the membership. There were none.

Frank introduced our auditor Miles Sweeney from the accounting firm Miles. T. Sweeney Limited.

Auditors Report

Miles introduced his company and gave an overview of his auditor report. Their role is to report to the members as the members elected them. Their company follows the Canadian Generally Accepted Auditing Standards. Their audit is an unqualified audit which means that it was a clean audit.

Net Income increased \$73,000.00 over 2017.

Member rebates were again paid this year. Gross Income is what the Credit Union pays taxes on.

Assets represents cash resources, Rebates receivable, Prepaid expenses, Members loans, Long-term investments, Capital assets and Deferred income taxes. Assets had a 2.2-million-dollar growth.

Liabilities represent Payable and accruals, Members deposits, Members rebate payable, Income taxes payable and Deferred government grant. Liabilities increased by 1.9 Million.

Members Equity represent Equity shares and retained earnings. Equity increased by \$348,000.00

Shares decreased by \$27,000.00 mainly in dividend requests.

The Credit Union's act says that the required Equity the credit union must maintain is 5% of total assets. LaHave River Credit Union is double what is required at 10.2%.

Assets have increased to 42.3 million. Current challenges are to continue to grow membership base, continue to increase interest and other income and reduce loan write offs. We must also continue to manage operating expenses closely to improve profitability and continue to grow the loan portfolio.

Question were called for. There were none.

Miles thanked the board, Management and staff for their help during the audit.

Draw for door prizes.

Audit Committee Report

Tom Webb presented the Report. The Audit committee consisted of David Cook, Al Sullivan and Tom Webb. The committee met three times in 2018 and also met twice with Miles Sweeney. The committee was very pleased with how the staff contributed to their Audit. Miles T Sweeney Limited is very thorough in their audit. He thanked staff, Corey and fellow board members on such a successful year. We are a very financially Healthy Credit Union.

Motion: Moved by Tom Webb, seconded by Gwenn Geddes to hire Miles T. Sweeney Limited for our 2019 Audit. Carried.

Report of CEO

Corey thanked the staff and board for the trust they have in him as CEO. Corey gave a summary of his written report. He noted that we continue to face regulatory burdens from our regulators. In 2018 we had a regulatory loan audit. We came out with an excellent audit by regulator CUDIC. Corey gave an overview of our community involvement.

He gave a shout out to:

- Patrick Henry who has obtained his Ethical Hacker designation
- Debbie Kenyon who has received her CAMLI-PA designation
- Kate Gorman who attended a 5-day DE leadership program at SMU

-Kate Gorman and Jennifer McDonald attended training to deliver the Each One Teach One financial literacy program - Helping Hand financing is our alternative to payday loans. This is to help people get out of the payday loan cycle. This is a loan program which is given in conjunction with the Each One Teach One program.

Question: How do we get people involved?

Answer: Corey replied that we get referrals from Freeman House, Harbor House and some of the marketing that we do and other partners that we work with.

Corey reviewed how we compare to other Credit Union. It costs us \$0.75 to make a dollar. The NS average is \$0.88.

Corey called for questions. There were none.

He ended in saying that 2018 was an awesome year and we look forward to another good year in 2019.

New Building

We have now out grown our existing building. We would love to hire more staff but we have nowhere to put them. We are going back to the drawing board. We are now relooking at what we are going to do.

Question: The question was asked about what we pay and offer our staff.

Answer: Corey gave a brief overview of our Health and Dental benefits. Debbie K spoke to what she sees the Credit Union as helping her. She raised a son as a single parent, she bought a car and a home on what she makes at LRCU.

Question: Would you like to speak on behalf of our Credit Cards.

Answer: Corey explained that up until last July our cards were owned by TD Bank. All Credit Unions in Canada decided to move away from this. They system partnered with a company called Collabria that is owned by Desjardins. The Global Payment Card was owned by TD Cuets. Collabria was to provide us with a Universal Pay Card to replace the GPC, however subsequently Collabria announced they were pulling out of the offer to provide a new card to replace the GPC. Effective May 31/19 the GPC will cease to exist. It is frustrating on our behalf and we are upset. Unfortunately, there is nothing we can do. Atlantic Central (our trade association) is still looking for an alternative.

Motion: Moved by Patrick Henry, seconded by Eric Hustvedt to approve the reports. Carried.

Prize Draw

Report of the Nominating Committee

We did have one vacancy this year. All requirements such as posting the vacancy were met. There was only one application received by David Cook. He has been declared elected by acclamation.

Motion: Moved by Paul Rogers, seconded by Tom Webb to accept the Nominating Committee report. Carried.

Member Growth Committee

Frank Fawson spoke with regards to the Member Growth Committee. The committee consists of four staff members and himself. He feels our growth is attributed to the work of our staff at LRCU.

Other Business

Tom Webb added to the nominating report. He said the board consists of all males. He would love to see a female added to our board next year. Paul Rogers added next year we will have three positions up for election.

Motion: Frank Fawson moved that we adjourn at 8:47, seconded by Murray Legge. Carried.

Respectfully Submitted



Debbie England
Secretary



Dr. David Maxwell
Chair, Board of Directors

2019-2020

Board of Directors

Dr. David Maxwell - Chair
Tom Webb - Vice-Chair
Frank Fawson - Secretary
Charlene Morton
Paul Rogers
Al Sullivan
David Cook

2019-2020 Committees

Audit Committee

Al Sullivan - Chair
Tom Webb
Dr. David Maxwell - Ex-Officio

Credit Committee

Frank Fawson - Chair
Paul Rogers
Dr. David Maxwell - Ex-Officio

Policy Committee

Tom Webb - Chair
Dr. David Maxwell - Ex-Officio

Nominating Committee

Al Sullivan
Paul Rogers
David Cook
Dr. David Maxwell - Ex-Officio

Building Committee

Al Sullivan
Paul Rogers
Frank Fawson
Dr. David Maxwell - Ex-Officio

Member Growth Committee

Frank Fawson

Board Chair's Report

The Board's role in the day-to-day business of the Credit Union is primarily one of oversight, and, as long as the CEO and his staff run the enterprise with the skill and efficiency displayed by Corey and his staff over the past year, all credit flows to them. I will leave it up to Corey to cover the events of the past year, and Myles Sweeney, our auditor to detail the financial niceties. We are making a very healthy profit. What I am going to talk about is what we are doing with this profit.

Unlike a bank, whose mandate is simple— pay your expenses and give everything left over to your share holders - credit unions are rooted in their communities, owe an allegiance and responsibility to their communities, and give back their profits to their communities. Their money stays in the community, and works for the benefit of the community. The translation of this mandate into concrete terms is far from simple and requires a considerable degree of thoughtful input from your Board members. I am deeply grateful to my fellow Board members, who have spent countless volunteer hours in meetings and committees, for their unstinting dedication to the direction of the CU over the past year.

So, what have we done with the profits we have generated in the past year, and what do we plan for the next year, and into the next 5 years? Let me start with a broad list of categories, and I will come back to each in turn. First, we are running a small business. We need to meet our expenses, including staff. We have outgrown our present premises, and need to set money aside for renovations and expansion. We need to fulfill our obligations to our community. And finally, we need to return a portion of our profits to our member-owners. (When was the last time you heard of a bank giving their customers a rebate?)

Expenses: Financial institutions are increasingly being drawn into the digital revolution. We have no choice but to invest in a rapidly increasing array of applications and services, which I will leave to Corey to explain. But we also have an absolutely essential human resource, and we owe it to our staff to be a good and fair employer. We have

recently concluded a review of the salaries we pay, and have undertaken a significant revision of our pay grid.

There is another element here, though, which is unique: We have become the first, and only, CU in Atlantic Canada to apply for, and be granted certification as a Living Wage Employer. The Living Wage program in the Maritimes is administered by the Canadian Centre for Policy Alternatives, and represents the basic income needed to enjoy a reasonable, comfortable standard of living in the particular community. It bears no relationship to the minimum wage, nor, indeed to a market wage. Rather, it is based on hard reality – what does it cost to have a reasonable standard of living, in our case, in Bridgewater. This is specific to the community, and is derived by collecting hard data, (such as cost of housing, child care, food, clothing, transportation, education and leisure activities), which are all entered into a huge spread sheet to derive the wage necessary to lead a comfortable life in one's community. As a Living Wage employer, we have committed to pay, at a minimum, a wage sufficient to assure that all our employees can enjoy a comfortable life in our community.

Building: We have outgrown our space in our current building, which is also starting to show signs of wear. We have taken several runs at exploring options, (move and build new; add on to our existing premises, with or without extensive renovations), and are now well set on the latter path. This will be a major expenditure, as well as almost certainly involving periodic temporary disruptions in the way we deliver our services, but at the end we feel it will be well worth the short-term pain.

In the meantime, we have examined every aspect of our own organisation to identify areas where we can reduce our energy usage, “green” our operation, and reduce our environmental footprint.

Social responsibility: This is the area where we differ from the banks, in particular. The prime goal of a bank is to generate profit for their shareholders, who, for the most part do not live in the community, and who, quite reasonably, have no interest whatsoever in the community. As a local co-operative enterprise, we maintain a deep sense of responsibility to support the community which has fostered our success,

and it is in this area that the Board has devoted particular attention, now that we have reached a level of profitability which permits our expanding our attentions.

One significant aspect of a credit union's operation is the ability to support local businesses, keeping their profits directly in the community. Credit unions have access to a Small Business Loan Guarantee program, backed by government, which provides us with the ability to support businesses and entrepreneurs who may lack up-front capital, with the fall-back security of a government backing. (In practical terms, the need to call upon this backing is extraordinarily rare. But it allows us to support enterprises that the banks would never touch.) Recently, with the closure of the Northern Pulp mill, the government has put in place a Forestry Contractor Financing program, similarly based on a government guarantee. Both these programs are available only to credit unions, and we have taken full advantage of them.

For several years we have had a "Green Loans" program – loans at a discount rate in support of any project or renovation directed at energy savings and efficiency. We are not convinced that our community is fully aware of this program, and have recently initiated increased publicity. But, in case any of you are unaware of this, and may be contemplating renovations, come in and talk.

As a financial institution, we feel a responsibility for financial education and guidance, both of our members and in the community. We are providing the Junior Achievement financial literacy programs in the school system, and devote volunteer hours by both Board members and staff to this program each year. But there is also a serious need for education and guidance of the adult members of our community, and we have answered this by participation in a system-wide initiative called "Each One-Teach One", or EOTO. This consists of an extensive series of training modules covering all aspects of financial literacy. We have sent key members of our staff for this training, and they have used this framework both in individual assistance to our members, and in multiple outreach presentations in the community.

A particular application of this training arose when we identified a problem in our community – the reliance of a number of people, both our own members and others in the community, on “pay day lenders”. People get themselves entrapped in a destructive cycle of loans at vastly elevated interest rates, for which they then have to re-borrow to pay off the first loan. This generally does not end well. We initiated a program to enable folk to escape this cycle, by explicitly setting aside a pot of money to fund what we recognise as higher risk loans, to enable our customers to escape their dependency on pay day lenders, pay off their debt, and replace it with a debt at a legitimate rate, what we called our Helping Hand Financing. But, recognising that the root of the problem is frequently a lack of financial skills, this program is tied to individual assistance, using the appropriate modules from the EOTO program – to get the loan, one has to agree to accept assistance in managing the money. Has it worked? Yes. 87% of the first cohort have gotten their finances back on track. Not 100%, but clearly good enough to justify a renewed push to advertise it and make sure that community agencies are aware of it.

Our success in this initiative prompted our exploring other unmet needs in the community. Spousal abuse is both common, (estimated at up to 20% of relationships) and almost always involving an element of financial control. When the abuser holds all the purse strings, it is often impossible to escape. We are working on developing a program of small loans, sufficient to permit escape from the relationship, (enough to establish housing, transportation, and independent living expenses), in close, (and absolutely essential), collaboration with our community partners. Here again, there is a need for assistance in financial literacy – many women, (and it is overwhelmingly, but not universally, women), in such relationships will never have had the opportunity to manage their own money. Nor will they have an established credit rating, nor significant assets to put forward as collateral. We are looking to combine these loans, (which have the significant benefit of establishing a credit basis), with financial counselling, based, again, on the EOTO program.

Are these programs intended to be money-making? Obviously not. We do intend that they break even, and set the loan rates accordingly. But we feel strongly that, as a local co-operative institution, if we can, we have an obligation to our community to do. Nor are programs such as these something which any bank is likely to support. If we don't do it, the individuals served will continue to be left out.

Rebates: And, yes, when you, our members, build your credit union to the level of success we have achieved, you are entirely entitled to share in the profits. As we have every year for the past two decades, we will soon be depositing your rebate for 2019 into your surplus share account.

Respectfully Submitted

A handwritten signature in black ink, appearing to read "D. Maxwell".

Dr. David Maxwell
Chair, Board of Directors

Management and Staff

- Corey Rogers, CEO
- Debbie England, Branch Manager
- Patrick Henry, Chief Information Officer
- Kate Gorman, Commercial Accounts Manager
- Jennifer McDonald, Financial Services Officer
- Shaun McCauley, Financial Services Officer
- Amanda Parker, Financial Services Associate
- Debbie Kenyon, Compliance Officer
- Yvette Tanner, Administrative Officer
- Stacey Godfrey, Accounting Officer
- Joanne McCarthy, Financial Service Rep.
- Jared Dodman, Financial Service Rep.
- Emma Rhodenizer, Financial Service Rep.

Audit Committee Report

The Audit Committee of the Board of Directors of The LaHave River Credit Union are pleased to present the following report:

The Audit Committee Members consisted of David Cook, Tom Webb, Al Sullivan (Chair) and Dr. David Maxwell (Ex officio). (Dr. Maxwell is retiring from the board. We will miss his wisdom and insights).

The committee met quarterly along with our CEO Mr. Corey Rogers since our last AGM. The Committee also met twice with auditor Miles T. Sweeney...once before the start of the financial audit (This meeting to review guidelines and answer questions and voice any concerns regarding the upcoming audit) and again at the conclusion of the audit. Mr. Sweeney reported that this year's audit went very well and thanked management and staff for their co-operation and professionalism during the audit.

As in 2018, Our Credit Union continued its upward growth in 2019. Management and staff are to be congratulated for their excellent job that they are doing. (Despite several flooded basement incidents). The year end results are a testament to what I am reporting.

A Coles version of the major highlights are as follows:

Net Income increased from \$374,857.00 in 2018 to \$470,228.00 in 2019 (+\$95,371).

Member rebates increased from \$33,000 in 2018 to \$50,000 in 2019 (+\$25,000). **We are one of only a few credit unions to return rebates.*

Total assets grew to \$46.4 million from \$42.3 million (+\$4.1 million). The increase in total assets resulted from an increase in member loans which increased by \$3.5 million (+\$6.5 million in 2 years).

Member deposits grew by \$3.7 million in 2019.

Our Credit Union's equity grew to 10.22% of total assets compared to the required 5% under the Credit Union Act.

The above were a few of the highlights that Mr. Sweeney will be presenting in a more in-depth report.

The Audit Committee would like to express of Thanks to Mr. Sweeney and his staff. We continued to be impressed with their professionalism.

The Audit Committee, in conjunction with the remainder of the board, recommends that Miles T. Sweeney be retained for our 2020 Audit at a cost of \$26,500.00 including tax and hereby present a formal motion to the AGM to that effect.

Again, Congratulations to the Management & Staff for another successful and profitable year. We especially want to Thank You, the member/owners, for your continued support – That support has helped place our Credit Union in the top 6 category in the entire Atlantic Provinces, top 3 category in entire Nova Scotia and #2 in Credit Unions with similar assets! – We are being noticed and being asked what we are doing, how we are doing it, and yes even seeking permission to use some of the programs that our Credit Union have developed. Thank You.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Al Sullivan".

L. Allen Sullivan
Chair, Audit Committee



LaHave River Credit Union

Products and Services

Products

Lending Products

- Mortgages
- Lines of Credit
- Personal Loans
- Lines of Credit
- Vehicle Loans
- Investment Loans
- Student Loans
- Student Lines of Credit
- Eco-Loans
- Helping Hand Financing
- Personal MasterCard® Credit Cards
- Helping-Hand Financing

Services

Online Service

- Email Money Transfer
- Mobile Banking
- Online Banking
- TeleService
- E-Statements
- Bill Payments
- Mobile Apps
- Deposit Anywhere
- Interac Flash
- Interac Online
- Lock n Block

Products and Services

Investment Products

- Variable Registered Retirement Savings Plans
- Fixed Registered Retirement Savings Plans
- Guaranteed Income Certificates (GIC)
- Registered Education Savings Plans (RESP)
- Registered Retirement Income Funds (RRIF)
- Tax Free Savings Accounts (TFSA)
- Mutual Funds
- Ethical Investing

Other Services

- Safety Deposit Boxes
- Money Orders
- Bill Payments
- Foreign Exchange
- Travel Insurance

Personal Banking

- Personal Savings Accounts
- Variety of Personal Chequing Accounts
- High Interest Savings Accounts
- US Chequing Accounts
- Electronic Cheque Deposit

Programs

- 100% Mortgage Financing
 - Dealer Financing
 - Payroll Services
 - Point of Sale (POS)
 - Click Switch
 - NS Gov't Guarantee
- Small Business Program

Protection Products

- Creditor's Insurance (Life/Disability/Critical Illness)
- Overdraft Protection
- Credit Union Deposit Guarantee Corporation

Business Banking

- Variety of Business Packages
- Community/Not-for-Profit Accounts
- Business Operating Lines of Credit
- Business Term Loans
- Business Equipment Financing
- Business Mortgages
- Business Visa Credit Cards

CEO's Report

I am so pleased to have the honour to report upon another outstanding year for LaHave River Credit Union.

Hard to believe it's now 2020. I want to say a BIG thank you to all the staff of LaHave River for all their hard work and dedicated work. I want to say a BIG thank you to the board of directors for their guidance and faith, and of course I want to say a BIG thank you to all the members.

2019 saw another exceptional year for our Credit Union. We saw asset growth of approx 9% bringing total assets to over \$46 million. Loan growth of almost 12% and Deposit growth came in at almost 10%. Our Return on Assets was very healthy at over 100 basis points (net \$470,228) and with an equity position very strong at 10.2%; both are well above our regulatory requirements (Basis points (bps) refers to a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%, or 0.0001).

As one of the few credit unions that does so, it is very pleasing that we once again are able to provide for member rebates. Even though we continue to face stiff competition (five big banks, two finance & two pay-day loan companies, mortgage brokers, virtual banks and other emerging players) our credit union continues to grow and see outstanding results. Due to our success we have out-grown our building.

Despite our continued growth and success, as with all Financial Institutions, your Credit Union faces real challenges, costs and stresses: increasing regulatory demands, current and emerging competition, evolving technological demands and costs, fraudulent activity, cybersecurity and bankruptcies to name a few. However, our members can be reassured we are tackling these issues with resolve.

I'm happy to report that our credit union was again heavily involved in our community in 2019.

Junior Achievement, Charlie the Christmas Tree donation for Harbour House, Health Services Foundation Radiothon. Earth day cleanup, Walk the Walk for Autism and S.H.A.I.D to name a few.

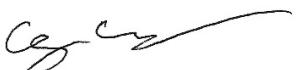
We are excited to see that the Atlantic Credit Union statistical reports continue to identify that LaHave River Credit Union is a very high performer in the Atlantic Canadian Credit Union System and it is a credit to LRCU to know that other Credit Unions continue to contact us, asking that we share with them the keys to our success.

As the CEO of LaHave River Credit Union I am very proud of our Credit Union.

We ask that we be your financial institution of choice with all your financial products and services, and that you spread the word to your friends, neighbours and acquaintances of what we can offer.

Looking forward to another great year in 2020

Yours truly,

A handwritten signature in black ink, appearing to read "Corey Rogers".

Corey Rogers

Corporate and Social Responsibility Report

The Credit Union movement was born from a need for greater community support and a desire to help our neighbors. At LaHave River Credit Union we are always seeking ways to help our community. As a community owned Financial institution, we redistribute our profits to our members and invest in local organizations. Over the past several years we have developed and implemented a number of new programs in our local community.

Energy Efficiency Loans

Working with local partner organizations and community members we are doing our part to drive sustainable progress towards reducing Climate Change. Our Energy Efficiency loans are designed to provide reduced interest rates to support purchases of more efficient appliances, vehicles, renovations, solar power, and more.

Helping-Hand Financing

In our community, as in most across the country, payday loans are cause problems for many households struggling to make ends meet. Helping-Hand financing provides a rotating line of credit and Each One Teach One education to help break the payday loan cycle.

Each One Teach One

People's financial well-being depends on their ability to understand and use financial information in a way that helps them make good decisions. Each One Teach One education helps ensure participants have the financial knowledge they need to make a better life in our community.

Donations

Part of our budget each year is allocated to financial support for local organizations large and small. These range from supporting school fundraisers to our ongoing support for Junior Achievement of Nova Scotia.

Volunteer Hours

Our staff are encouraged to volunteer their time to help worth causes, both during the work day and outside of work time. Each year hundreds of hours of volunteering happen with many organizations in our community.

The Little Engine that Could: Vital Statistics

Net Income Based on % of Assets - (Higher is better)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
LaHave River	*99bps	*88bps	*75bps	*69bps
NS Average	56bps	53bps	40bps	35bps
Atlantic Average	52bps	40bps	36bps	37bps

*after member rebates which many CU's don't provide

Operating Efficiency - (Lower is Better)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
LaHave River	*72.8%	*75.2%	*75.4%	*78.60%
NS Avg	80.9%	82.27%	85.44%	87.90%
Atlantic Avg	81.8%	86.25%	88.75%	87.43%

*after member rebates which many CU's don't provide

The Operating Efficiency is a measure of what it costs us to generate \$1.00 of revenue. A ratio over 90% etc. .. caution zone. In other words, for LRCU last year, it cost us just 78.6 cents to generate a dollar of revenue. We are comfortably safe and efficient, in contrast to the majority of our peers, who are very close to the danger zone of 90%, and some of whom are actually over 100%, (that is they are losing money), explaining their inability to pay any rebates.

Nova Scotia	Revenue				Operating Efficiency			
	<u>2019</u>	<u>2019</u>	<u>2018</u>	<u>2018</u>	<u>2017</u>	<u>2017</u>	<u>2016</u>	<u>2016</u>
Over \$120mm	60bps	78.7%	54bps	80.88%	41bps	84.72%	31bps	88.9%
Over \$60mm	29bps	88.3%	41bps	86.67%	38bps	86.50%	44bps	84.99%
Over \$30mm	64bps	83.1%	63bps	83.57%	47bps	86.47%	41bps	89.17%
Over \$20mm	54bps	83.3%	36bps	88.06%	36bps	89.59%	35bps	90.47%
LaHave River	99bps	72.8%	88bps	75.2%	75bps	75.4%	69bps	78.6%

Basis points (bps) refers to a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%, or 0.0001.

INDEPENDENT AUDITOR'S REPORT

To the Directors of
Lahave River Credit Union Limited

Opinion

We have audited the financial statements of Lahave River Credit Union Limited (the "Credit Union"), which comprise the statement of financial position as at December 31, 2019, and the statements of net income, comprehensive income and retained earnings, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Credit Union'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 Credit Union or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Credit Union's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are 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 our 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, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our 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 Credit Union'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 Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the credit union 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.

We 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 we identify during our audit.



Chartered Professional Accountants

Dartmouth, Nova Scotia
February 19, 2020

Lahave River Credit Union Limited
STATEMENT OF FINANCIAL POSITION

December 31

2019

2018

Assets

Cash resources (Note 6)	\$ 9,944,135	\$ 6,367,693
Prepaid expenses	16,495	13,835
Members' loans (Note 7)	35,137,400	31,596,221
Long-term investments (Note 9)	1,066,363	4,052,568
Capital assets (Note 11)	302,391	294,870
Deferred income taxes (Note 13)	<u>20,219</u>	<u>18,997</u>
	\$ 46,487,003	\$ 42,344,184

Liabilities

Payables and accruals (Note 8)	\$ 105,136	\$ 108,991
Members' deposits (Note 10)	41,505,790	37,838,312
Members' rebate payable	50,000	33,000
Income taxes payable	22,348	1,483
Deferred government grant (Note 19)	<u>50,000</u>	<u>50,000</u>
	41,733,274	38,031,786

Members' equity

Equity shares (Note 12)	482,397	511,294
Retained earnings	<u>4,271,332</u>	<u>3,801,104</u>
	4,753,729	4,312,398
	\$ 46,487,003	\$ 42,344,184

Approved by the Board

____ Director

____ Director

(See accompanying notes to the financial statements)



Lahave River Credit Union Limited

STATEMENTS OF NET INCOME, COMPREHENSIVE INCOME AND RETAINED EARNINGS

Year ended December 31	2019	% of Income	2018	% of Income
Income				
Loan interest	\$ 1,520,323	70.3	\$ 1,195,519	65.4
Investment income	<u>165,576</u>	<u>7.7</u>	<u>141,959</u>	<u>7.8</u>
	<u>1,685,899</u>	<u>78.0</u>	<u>1,337,478</u>	<u>73.2</u>
Interest and loan related expenses				
Distributions to members:				
Interest on deposits	224,478	10.4	154,112	8.4
Loan impairment losses	<u>186,752</u>	<u>8.6</u>	<u>93,417</u>	<u>5.1</u>
	<u>411,230</u>	<u>19.0</u>	<u>247,529</u>	<u>13.5</u>
Financial margin	<u>1,274,669</u>	<u>59.0</u>	<u>1,089,949</u>	<u>59.7</u>
Other income				
Revenue from contracts (Note 14)	437,033	20.2	455,726	24.9
Other	<u>38,334</u>	<u>1.8</u>	<u>35,538</u>	<u>1.9</u>
	<u>475,367</u>	<u>22.0</u>	<u>491,264</u>	<u>26.8</u>
Income before operating expenses	<u>1,750,036</u>	<u>81.0</u>	<u>1,581,213</u>	<u>86.5</u>
Operating expenses				
Administrative (see schedule)	329,190	15.3	349,436	16.6
Amortization of capital assets	18,699	0.9	12,826	0.7
Central service charges	50,547	2.3	54,818	3.0
Occupancy (see schedule)	63,502	3.0	66,415	3.6
Salaries, benefits, contracted services	660,341	30.6	608,000	33.2
CUDIC assessment	<u>34,069</u>	<u>1.6</u>	<u>28,386</u>	<u>1.6</u>
Total operating expenses	<u>1,156,348</u>	<u>53.7</u>	<u>1,119,881</u>	<u>58.7</u>
Income before rebate to members	<u>593,688</u>	<u>27.3</u>	<u>461,332</u>	<u>27.8</u>
Rebate to members	<u>49,884</u>	<u>2.3</u>	<u>32,778</u>	<u>1.8</u>
Income before provision for income taxes	<u>543,804</u>	<u>29.6</u>	<u>428,554</u>	<u>29.6</u>
Provision for income taxes (Note 13)				
Current	74,798	3.5	52,452	2.9
Future (recovery)	<u>(1,222)</u>	<u>(0.1)</u>	<u>1,245</u>	<u>0.1</u>
	<u>73,576</u>	<u>3.4</u>	<u>53,697</u>	<u>3.0</u>
Net income and comprehensive income	<u>470,228</u>	<u>26.2</u>	<u>374,857</u>	<u>26.6</u>
 Retained earnings, beginning	\$ 3,801,104		\$ 3,426,247	
 Net income and comprehensive income	<u>470,228</u>		<u>374,857</u>	
 Retained earnings, ending	<u>\$ 4,271,332</u>		<u>\$ 3,801,104</u>	

(See accompanying notes to the financial statements)

MILES T SWEENEY LIMITED
CHARTERED PROFESSIONAL ACCOUNTANTS

Nominating Committee Report

Four positions were required to be filled for 2020. Notice was posted in branch and on the website, on February 4, 2020, satisfying the notice as required by the by-laws. Applications closed at 5 pm, March 5, 2020, and as of the time of closing, four applications had been received.

Thus, the four applicants, Tom Webb, Charlene Morton, Frank Fawson, and Janice Brown, are declared elected by acclamation. Our congratulations and gratitude to the successful candidates.

We would point out that we will have need of further new Board members next year, as the terms of existing members expire. May we encourage interested members to think about offering themselves next year?

Respectfully Submitted

A handwritten signature in black ink, appearing to read "D. Maxwell".

Dr. David Maxwell
Chair, Board of Directors