



ANNUAL REPORT

2022

Annual Report

2022



Vision, Mission and Table of Contents

Our Mission

At Atlantic Edge Credit Union, we empower people and communities by providing financial services and advice built on honesty, fairness, and trust.

Our Vision

Growing Stronger Together.

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Management and Staff

Corporate Office

Cory Munden,
- Chief Executive Officer

Shanti Samaroo,
- Chief Financial Officer

Roger Hardy,
- Chief Operating Officer

Jamie LeBoubon,
- Regional Manager Branch Operations

Geneva Taylor,
- Regional Manager Branch Operations

Trudy Skinner-Keeping,
- Manager of Credit Services

Candace Matthews,
- Manager of Member Experience & Communications

Claire Lessel,
- Manager of Human Resources

Jayasankar Vattathoor,
- Accounting Manager

Luke Simms,
- Manager of Information Technology

Brittany Bromley,
- IT Specialist

Sandra Pye,
- Internal Audit & Compliance Manager/CAMLO

Samantha O'Brien,
- Commercial Services Manager

Cindy Perry,
- Collections Officer

Amanda Lee,
- Credit Services Administrator

Deena Eddison,
- Commercial Services Officer

Haseeb Ahmad,
- Product and Data Specialist (Parental Leave)

Jody King,
- Administrator, Clearing Services

Bernadette Normore,
- Accounting Administrator

Muhammad Umair,
- Accounting & Risk Specialist

Elaine Ingram,
- Internal Audit & Compliance Officer

Vanessa Elms,
- Administrator Compliance

Kirsti Sooley,
- Executive Assistant

Charlotte Taylor,
- Community Impact and Engagement Specialist

Jessica Sellars,
- Marketing Specialist

Jeanette Yetman,
- Internal Auditor (Contract)

Brenda McCarthy,
- Operations Specialist (Contract)

Lucinda Lee,
- Member Services Administrator

Gus Rumbolt,
- Facilities Technician & Courier

Sophia Munden,
- Marketing & Communications Assistant - Student

Katherine Easton,
- Human Resources Assistant - Student

Happy Valley-Goose Bay

MaryJane Hudson-Cabot,
- Branch Manager

Nakita Woodward,
- FSR II (On Leave)

Jagdeep Kaur,
- FSR

Ashmeet Kaur,
- Acting FSR II (casual)

Mary's Harbour

Jacqueline Rumbolt,
- Branch Manager

Deanne Rumbolt,
- FSR II

Nicole Rumbolt,
- FSR

Carla Rumbolt,
- FSR

Selena Randell,
- FSR (Casual)

L'Anse au Loup

Michelle Rumbolt,
- FSR

Colette Russell,
- FSR

Jennifer Hillyard,
- FSR

Management and Staff

St. Anthony

Beverly Patey,
- Branch Manager
Cheryl Patey,
- FSR II
Janet Elliott,
- FSR
Susan Pearce,
- FSR

Port Saunders

Carolyn Spence,
- Branch Manager
Candace Rose,
- FSR II
Corena Noel,
- FSR
Ann Scanlon,
- FSR (Casual)

Deer Lake

Sauna Warren,
- Branch Manager
Thejo Vaidyanathan,
- FSO
Crystal Feltham,
- FSR II
Andrew Crocker,
- FSR
Jennifer Gale,
- FSR (Casual)

Corner Brook

Don Rideout,
- Branch Manager
Mindy Gillingham,
- FSO
Roxanne Jacobs,
- FSO
Holley Simmonds,
- FSR II
Sylvia Hynes,
- FSR
Grace Payne,
- FSR (Casual)

St. George's

Leonard Hann,
- Branch Manager
Jocelyn Butt,
- FSR
Aileen Lushman,
- FSR
Tracy Alexander,
- FSR (Casual)
Kimberley MacDonald,
- FSR (Casual)
Samantha Ploughman,
- Income Tax Program Manager

Jeffrey's

Rhoda Pumphrey,
- Branch Manager
Kara Gale,
- FSR/Tax Associate
April-Dawn Smith,
- FSO
Charlye Brake,
- FSR
Crystal Thompson,
- FSR (Casual)
Melanie Hulan - Legge,
- FSR (Casual)

Doyles

Tracy Keeping,
- Branch Manager
TerryI McArthur,
- FSO
Arthena Keeping,
- FSR
Dale Lomond,
- FSR (Casual)
Brittany St. Croix,
- FSR (Casual)
Imelda Gale,
- FSR
Selma Kilpatrick,
- FSR (Casual)
Renee Samms,
- FSR (Casual)
Bruce Samms,
- Tax Associate (Seasonal)

Port aux Basques

Lisa Purchase,
- Branch Manager
Martina MacDonald,
- FSO
Kelly Thorne,
- FSO
Danielle Spencer,
- FSR
Marina O'Keefe,
- FSR
Elaine Vautier,
- FSR
Michele MacLean,
- Tax Associate (Seasonal)

Board of Directors and Committees

Board of Directors

Daniel Sheaves, President
 Bert Belben, Vice President
 Dave Evans, Corporate Secretary
 Tony Leamon, Director
 Bradley Hancock, Director
 Ginger Ryland, Director
 Jeff Patry, Director
 Gary O'Brien, Director
 Edwina Bateman, Director
 Brad Sheppard, Director
 Janet Willis, Director
 Terri Gilbert, Director

Audit Committee

Bradley Hancock, Chair
 Brad Sheppard, Director
 Gary O'Brien, Director
 Janet Willis, Director
 Tony Leamon, Director

Lending Committee

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

Governance Committee

Tony Leamon, Chair
 Bradley Hancock, Director
 Jeff Patry, Director
 Ginger Ryland, Director
 Edwina Bateman, Director

Community Impact Committee

Jeff Patry, Chair
 Ginger Ryland, Director
 Terri Gilbert, Director
 Janet Willis, Director
 Brad Sheppard, Director

Board Participation Q2 2022 to Q1 2023

NAME	BOARD	EXECUTIVE	AUDIT	GOVERNANCE	COMMUNITY IMPACT
Sheaves, Daniel	8/9	7/7	-	-	-
Belben, Bert	9/9	7/7	-	-	-
Evans, David	8/9	7/7	-	-	-
Leamon, Tony	8/9	-	4/5	8/8	-
Hancock, Bradley	7/9	-	3/5	6/8	-
Ryland, Ginger	9/9	-	-	7/8	4/5
Patry, Jeff	7/9	-	-	8/8	5/5
O'Brien, Gary	9/9	-	3/5	-	-
Bateman, Edwina	8/9	-	-	7/8	-
Sheppard, Brad	7/9	-	3/5	-	2/5
Willis, Janet	9/9	-	5/5	-	5/5
Gilbert, Terri	7/9	-	-	-	1/5

Co-operative Principles and Values

Seven 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 profit for purpose institutions with volunteer Boards of Directors. In the case of credit unions, directors are elected from and by the 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

“If you are working on something that you really care about, you don’t have to be pushed. The vision pulls you.”

– Steve Jobs

5 Years

Deena Eddison
Commercial Services Officer

5 Years

Lucinda Lee
Member Services Administrator

10 Years

Bruce Samms
Seasonal Tax Associate

10 Years

Dale Lomond
Casual FSR

10 Years

Kelly Thorne
FSO

10 Years

Michele MacLean
Seasonal Tax Associate

10 Years

Mindy Gillingham
FSO

10 Years

Brad Sheppard
Director

15 Years

Geneva Taylor
Regional Manager
Branch Operations

15 Years

Jody King
Administrator Clearing Services

20 Years

Bernadette Normore
Accounting Administrator

20 Years

Terry Hardy
Accounting Manager
(Retired in 2022)

20 Years

David Evans
Director

30 Years

Don Rideout
Branch Manager

Scholarships

Atlantic Edge Credit Union Scholarship Program

AECU believes that education is foundational to the economic and social stability of our communities. We recognize its importance by supporting a scholarship program, available to eligible students continuing with post-secondary education. A total of \$4,250 in scholarships were awarded.

Congratulations to the 2022 Scholarship Winners, as follows:

School	Recipient
Mealy Mountain Collegiate	Alison Mesher
St. Mary's All Grade	Chloe Stevens
Labrador Straits Academy	Lucas Hancock
White Hills Academy	Alexander Cronhelm
French Shore Academy	Kody Cadet
Pasadena Academy	Mackenzie Tapp
Corner Brook Regional High	Emily Thomas
Bayview Academy	Robyn Bennett
E. A. Butler All Grade	Lucas Reader
Belanger Memorial	Abby Ryan
St. James' Regional High	Emma King
Grandy's River Collegiate	Julissa Hodder
A. F. Walker Scholarship (Regional)	Daniel Butt

A.F. Walker Scholarship

Atlantic 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 cooperative 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. In 2022, Leading Edge Credit Union and Eagle River Credit Union amalgamated to form Atlantic Edge Credit Union. It was with great pleasure that the contact for this scholarship, Mr. Michael Walker, extended the scholarship to all members of Atlantic Edge Credit Union's branches.

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

- Students must be Atlantic 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 Atlantic Edge Credit Union Limited and media.

You'll always be ahead when you've got someone behind you.

**CU Financial
Management**

PLAN | INVEST | PROTECT

At the credit union, you'll find all the wealth management solutions you need, from a partner you can depend on. Let us help you grow and protect your wealth with a strategy that's right for you.

We partner with 13 Atlantic Credit Unions, who constantly seek to add quality products, services, and convenience to members' lives. Your Credit Union is pleased to provide access to CU Financial Management Ltd, Credential Securities services, and Credential Asset Management Inc.

At CU Financial Management, our experienced advisors are here to help members achieve the goals that matter most – wherever they may be in their financial journey. We are a homegrown, Atlantic Canadian financial planning firm where the community comes first. We ensure all investments go further – benefitting the member while providing social and environmental good.

Don't live near one of our offices?

Our team of expert advisors serve members across Newfoundland and Labrador virtually and plan travel throughout the province for those who prefer to meet in person.

Our dedicated team has provided investment counsel and wealth planning services to individuals and institutions in our community for many years. Our advisors through Credential Securities will work with you to fully understand your goals, investment objectives, risk tolerance, investment time horizon, significant life changes and tax considerations, among several other factors.

Together, we can redefine your future. Don't hesitate to contact us to find out more information.



Financial Planning

A good financial plan serves as a guide for your income, expenses and investments so you can manage your money and achieve your goals.



Investment & Retirement Planning

It's important to plan for your future today, this includes implementing a solid savings plan and managing your assets.



Insurance Planning

Insurance is a form of risk management and is a vital piece in your financial plan.

Life | Health | Critical Illness | Disability



Estate & Legacy Planning

Our advisors work with you to develop a comprehensive plan that reflects your wishes, protecting your assets and your loved ones.

Learn more and book an appointment at [cufm.ca](https://www.cufm.ca)

Mutual funds, other securities, and securities related financial planning services are offered through Credential Securities, a division of Credential Qtrade Securities Inc. Credential Securities is a registered mark owned by Aviso Wealth Inc. Financial planning services are available only from advisors who hold financial planning accreditation from applicable regulatory authorities. Mutual funds and related financial planning services are offered through Credential Asset Management Inc.

CU Financial Management Ltd. is wholly owned by Brunswick Credit Union Ltd, Community Credit Union of Cumberland Colchester Ltd, East Coast Credit Union Ltd, Valley Credit Union, Consolidated Credit Union Ltd, Provincial Credit Union Ltd, Souris Credit Union Ltd, EasternEdge Credit Union Ltd, Atlantic Edge Credit Union Ltd, Community Credit Union Ltd, Public Service Credit Union Ltd, Reddy Kilowatt Credit Union Ltd and Credit Union Atlantic Ltd.

Agenda

Atlantic Edge Credit Union Limited
Annual General Meeting
May 15, 2023
Online
7:00 p.m.

1. Establishment of Quorum
2. Adoption of Agenda
3. Adoption of Minutes of the Legacy Annual General Meetings
4. Business Arising from Minutes
5. President's Report
6. Chief Executive Officer's Report
7. Audit Committee Report
8. New Business
9. Adjournment

AGM 2021 - Minutes (Leading Edge Credit Union)

1.0 Establishment of Quorum

At 6:30 p.m., Dan Sheaves, President and Chair of the Board, called the Annual General Meeting to order.

Dan welcomed all attendees to the AGM of Leading Edge Credit Union, and presented a land acknowledgement statement. Dan then invited Charlotte Taylor, Executive Assistant, to confirm establishment of quorum. Charlotte confirmed that of the 33 people in attendance, 23 were eligible shareholders. 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 May 11, 2021, AGM and the Agenda for this, the 13th AGM.

2.0 Adoption of the Agenda

No omissions or errors were noted.

22/O3/30-01

MOTION: To adopt the agenda of March 30, 2022

MOVED BY: Edwina Bateman

SECONDED BY: Gary O'Brien

MOTION CARRIED

3.0 Adoption of Minutes of the 12th Annual General Meeting

No omissions or errors were noted.

22/O3/30-02

MOTION: To adopt the minutes of the May 11, 2021, Annual General Meeting.

MOVED BY: Barry Simms

SECONDED BY: Geneva Taylor

MOTION CARRIED

4.0 Business Arising from Minutes

NIL

5.0 President's Report

Dan Sheaves presented the President's report. The complete report was included in the AGM Booklet. Dan noted the following items:

- COVID-19 continues to impact us all.
- We remain focused on the safety of staff and members and ensuring the credit union continues to operate effectively.
- Despite environmental challenges, LECU exceeded budgeted profits in 2021.
- This was achieved through strong leadership and teamwork, as well as an immediate and measured response to the impacts of the pandemic.
- This will be the final President's Report for LECU, as Leading Edge Credit Union and Eagle River Credit Union have amalgamated to form Atlantic Edge Credit Union, effective January 1, 2022.
- This is a significant milestone and will change the landscape of the credit union system in the province.
- At the time of amalgamation, the combined entity will have over \$300 million in assets, and become the second-largest credit union in the province.
- Dan noted that he has been elected President for the first year of Atlantic Edge Credit Union and looks forward to the continued work of merging operations and governance.
- In 2021, the operational team successfully navigated through challenges resulting from the pandemic, as well as put forth additional efforts required to prepare for amalgamation.
- Dan thanked the Board, CEO, and operational team for their exceptional efforts in 2021.

22/O3/30-03

MOTION: To adopt the President's Report for 2021, as presented.

MOVED BY: Gary O'Brien

SECONDED BY: Tony Leamon

MOTION CARRIED

6.0 Chief Executive Officer's Report

AGM 2021 - Minutes (Con't) (Leading Edge Credit Union)

Cory Munden presented the CEO's Report. The complete report was included in the AGM Booklet. Cory highlighted the following items:

- An overview of the merger timeline; this process started in March 2019 with discussions around merger potential, concluding most recently in January 2022 with the formation of Atlantic Edge Credit Union.
- The value proposition of merging; enhanced services and banking solutions for members, being an employer of choice, and a commitment to living co-op values and growing our local communities were three key pillars in the decision.
- Atlantic Edge Credit Union is now the second-largest credit union in the province, with \$342 million in assets, and over 17,500 members.
- Significant merger activity will continue into 2022; items include launching account packages, rebranding, community impact workplan, and a continuation of the operational transition plan.
- Staff development was exceptional in 2021; 381 courses were completed by staff through CUA Campus and Skillsoft.
- Staff completed numerous other achievements through diploma programs, designations, and other certifications.
- Member Satisfaction and Staff Engagement scores remain high; notably, 100% of employees responded that they "have a clear understanding of how my work relates to my Credit Union's goals and objectives."
- Overall Member Satisfaction is rated at 95.3%.
- Financial Performance Metrics:
 - Asset Portfolio
 - Deposit Portfolio
 - Loan Portfolio
 - Membership
 - Mortgage Portfolio at League Savings & Mortgage
 - Net Income

Award Acknowledgement

Years of Service Awards

- Five years of service – Sylvia Hynes
- Five years of service – Kara Gale

- Five years of service – Bruce Burton
- Ten years of service – Selma Kilpatrick
- Ten years of service – Candace Matthews
- Fifteen years of service – Dan Sheaves
- Thirty years of service – Barry Simms

Staff Awards

- Annual Member Protection Award – Martina MacDonald
- Individual Training Award – Lisa Purchase
- Individual Training Award – Candace Matthews
- Hubert Hall Memorial Staff Award – Roger Hardy
- Individual Community Impact Award – Randi Alexander
- Branch Community Impact Award – Port aux Basques Branch

22/O3/30-04

MOTION: To approve the CEO's Report for 2021 as presented.

MOVED BY: Edwina Bateman

SECONDED BY: Barry Simms

MOTION CARRIED

7.0 Audit Committee Report

The complete Audit Committee Report was included in the AGM Booklet. On behalf of Janet Willis, Chair of the Audit Committee, Cory presented the report in summary, noting the following items:

- Despite the challenges of the pandemic, your credit union is performing well and meeting all requirements.
- The Committee has been active over the past year, having met 4 times to perform duties on behalf of the Board.
- LECU had two audits completed by Mr. Byron Smith.
- The first audit is the internal audit, which focuses on policies and procedures, ensuring LECU does what it says it will.
- The second audit is the Audit of the financial statements, ensuring accurate representation of the position of LECU, and that appropriate accounting standards have been followed.

AGM 2021 - Minutes (Con't) (Leading Edge Credit Union)

- Both audits were reviewed by the Committee, and no items of great concern were reported.
- In 2021, CUDGC completed an examination of LECU
- The Commercial Lending and Personal Lending portfolios were examined; the Commercial Lending portfolio was reported as fully satisfactory, while the Personal Lending portfolio was reported as "requires improvement".
- LECU has made improvements to the portfolio and has successfully addressed all issues identified.
- At the time of writing this report, there were no unresolved issues between the Committee, the Credit Union Deposit Guarantee Corporation, and the external auditor.
- Any concerns that arose throughout the year were addressed in a satisfactory manner by management.
- LECU has a robust Enterprise Risk Management strategy in place.
- The ERM framework is a way to assess the risks inherent in our business and to ensure appropriate controls are in place.
- LECU used a shared service provided to enhance this strategy, leveraging experts in the field to reduce the risk associated with keeping up to date in this area.

22/O3/30-05

MOTION: To adopt the Audit Committee Report for 2021, as presented.

MOVED BY: Barry Simms

SECONDED BY: Gary O'Brien

MOTION CARRIED

8.O New Business

Dividend and Patronage Refund: Dan made the official announcement that there is a recommended distribution of \$4,026.85 in the form of a dividend and/or patronage refund. This decision, however, requires the approval

from members present.

22/O3/30-06

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 \$4,026.85.

MOVED BY: Gary O'Brien

SECONDED BY: Melissa Samms

MOTION CARRIED

9.O Adjournment

With the stated business of the 13th Annual General Meeting completed, the Chair requested a motion to adjourn the meeting at 7:20 p.m.

Duly Signed:

Dan Sheaves
President

Edwina Bateman
Corporate Secretary

Director

Director

AGM 2021 - Minutes (Eagle River Credit Union)

CALL TO ORDER

The Thirty-Eighth Annual General Meeting of Eagle River Credit Union was called to order by the Chair, Bert Belben at 7:00 p.m.

GREETINGS FROM THE CHAIR

Mr. Bert Belben, Chair, on behalf of the Board of Directors, welcomed members and guests to the Thirty-Eighth Annual General Meeting of Eagle River Credit Union. He introduced all the Board Members.

RECOGNITION OF DECEASED MEMBERS

The Chair called for a minute of silence to honor the memory of former directors and members of the credit union.

PROOF OF PROPER CALL

Pursuant to section 11.05 of Eagle River Credit Union By-laws, a quorum will deem to have been met when a minimum of 20 members are present and entitled to vote provided that employees and directors are not included in the minimum requirement. The Chair advised that registration had confirmed as of 7:00 p.m. there were 27 voting members, 33 staff and directors and 7 guests for a total of 67, and therefore declared the meeting formally called to order.

RULES OF ORDER AND VOTING

The Chair advised those in attendance that the Rules of Order contained in the AGM booklet shall apply to the meeting. When provision is not made in the Rules of Order, and it is not in conflict with the By-laws, Roberts' Rules of Order shall apply. As this is a Virtual Meeting, motions will be approved and seconded by the raising of a hand. The method for voting will be done by poll. For regular motions, votes will be registered "for" or "against" by selecting Yes (for) or No (against). The results of the poll will be posted for all members to view on their computer. Questions may be asked through the chat feature.

WELCOME – SPECIAL GUESTS

The chair welcomed Brian Scammell – Eagle River Credit Union Limited's Internal/External Auditor; Tom Fraize – Legal Counsel for Eagle River Credit Union; Michael Leonard, President and CEO of Atlantic Central; Dave Walsh, Managing Director of Newfoundland and Labrador Federation of Co-Operatives; Christopher Mitchelmore, Executive Director, St. Anthony Basin Resources Inc. (SABRI);

Dan Sheaves, President, Atlantic Edge Credit Union Limited; Jack Lessel, Wealth Advisor at CU Financial Management. Atlantic Edge Credit Union CEO, Cory Munden was also in attendance.

APPROVAL OF THE AGENDA

The Chair wished to be granted the discretion to change the order of the Agenda if necessary.

MOTION-2022 AGM - 01 that the Agenda be approved as presented and the Chair have the discretion to change the order of the agenda if necessary.

Of the 100% of attendees that voted, 100% were in favor.

MOVED BY Roxanne Notley, **SECONDED BY** Deanne Rumbolt. **MOTION CARRIED**

MINUTES FROM THE 37th ANNUAL GENERAL MEETING

The Chair asked if there were any corrections to the Minutes of the 37th Annual General Meeting held on May 11, 2021.

None were noted so the Chair declared the Minutes accepted as presented and printed in the meeting booklet.

BUSINESS ARISING FROM THE MINUTES OF THE ANNUAL GENERAL MEETING

None were noted.

MINUTES FROM THE SPECIAL MEMBERSHIP MEETING JUNE 14, 2021

The Chair asked if there were any corrections to the Minutes of the Special Membership Meeting held on June 14, 2021.

None were noted so the Chair declared the Minutes accepted as presented and printed in the meeting booklet.

BUSINESS ARISING FROM THE MINUTES OF THE SPECIAL MEMBERSHIP MEETING

None were noted.

AGM 2021 - Minutes (Con't) (Eagle River Credit Union)

PRESENTATION OF REPORTS

A. REPORT OF THE BOARD OF DIRECTORS

Chair, Bert Belben, called upon Vice-Chair, Dave Evans, to assume the meeting's Chair position while the reports of the Board of Directors and the Chief Executive Officer were presented.

Chair Belben presented the report on behalf of the Board. The Chair discussed that credit unions across Canada are continually seeking ways to create efficiencies and added value for their members. For Eagle River Credit Union, it is the merger with Leading Edge Credit Union to form the new Atlantic Edge Credit Union Limited. This will strengthen our ability to be sustainable long into the future.

The Board continued with its governance work seamlessly with virtual board and committee meetings. The Board also attended regional, national, and international conferences virtually. Both the AGM and Special Membership Meetings were held virtually which allowed members from all branches to attend who typically would not have been able to attend if it were held in-person in the Labrador Straits.

The Chair spoke on a few of Eagle River Credit Union's Corporate and Social Responsibility (CSR) achievements over the years – scholarships, breakfast programs, winter coats for school-aged children, funding for the food bank, and financial literacy workshops.

The Chair advised that since 1984 Eagle River Credit Union has paid to our members dividend payouts and/or patronage rebates every year, resulting in over \$7.41 million to date.

The Chair spoke on how Eagle River Credit Union has grown from 1984 – from 1 branch to 6 and from 2 staff to 42. He advised this is the last AGM under the name of Eagle River Credit Union and that he believes that the legacy of Eagle River Credit Union will continue under the rebranded name of Atlantic Edge Credit Union Limited.

Chair Belben thanked the Board, Management and Staff for their commitment and dedication over the past year. He thanked past Board Members and Staff for their contributions towards the growth and prosperity of Eagle River Credit Union. The Chair also thanked the members for their commitment and loyalty to Eagle River Credit Union.

Dave Evans asked the attendees if there were any questions – there were none.

B. REPORT OF THE CHIEF EXECUTIVE OFFICER

Shanti Samaroo, Chief Executive Officer (CEO) provided the members with her report. She advised that despite the challenges we have faced since COVID-19 came into our lives in 2020, Eagle River Credit Union continues to remain stable and resilient. She provided a few financial statistics on how Eagle River Credit Union performed in 2021 - our asset base grew by \$9.58 million; our loan portfolio grew by \$5.50 million, financial margin was \$4.81 million and the net surplus as of December 31, 2021, was \$561,825.

In 2020 we were able to provide our members with a new online service - International Transfers. Members are now able to transfer funds up to 20 different currencies with little or no transaction fees. We also launched Member Direct Enhanced Security (2-Step Verification) and Self-Serve PAC reset.

The CEO commented that, as in past years, we continued to invest in staff training and development. We invested more than \$27,000 in staff training and provided over 2935 hours of formal training. The CEO advised that we remain focused on providing our employees with a positive and healthy workplace.

In 2021, still facing health-imposed restrictions, as part of Corporate and Social Responsibility (CSR), our team was able to support 47 organizations with donations, sponsorships, community investments, and/or volunteer time.

The CEO spoke on the merger with Leading Edge Credit Union. We will be an 11-branch network and will serve almost 18,350 members with a combined asset base of just over \$342.4 million. This merger enables us to remain sustainable against evolving market conditions.

The CEO thanked the Board and Staff for their support, trust, and confidence. She also thanked the members for their continued support in growing the credit union.

Dave Evans asked the attendees if there were any questions – there were none.

Vice-Chair, Dave Evans, returned the Meeting Chair's position back to Mr. Bert Belben.

AGM 2021 - Minutes (con't) (Eagle River Credit Union)

C. TABLING OF THE AUDITOR'S REPORT & REVIEW OF THE FINANCIAL STATEMENTS FOR 2021

Eagle River Credit Union's auditor, Mr. Brian Scammell, CA CBV, tabled the Auditor's Report and reviewed the Auditor's Opinion on the 2021 Financial Statement as contained in the Financial Statements booklet. He provided an overview of the Audited Financial Statements for 2021. He thanked the Management and Staff for their support during the audit process. He congratulated Eagle River Credit Union on the past 38 years and on the merger with Leading Edge Credit Union.

There were no questions on the Auditor's Report.

D. REPORT OF THE AUDIT, RISK AND CONDUCT REVIEW COMMITTEE

The CEO, Shanti Samaroo, reported on the roles and key activities of the Audit, Risk and Conduct Review Committee during 2021.

NEW BUSINESS

APPROVAL OF DIVIDEND AND PATRONAGE REBATES FOR 2021.

Vice-Chair Dave Evans brought forward on behalf of the Board of Directors for approval of Dividends and Patronage Rebates for 2021.

MOTION – 2022 AGM - O2 to approve the payment of 10% dividend on Equity Shares, 1% dividend on Non-Equity Shares and 3% patronage on interest income and interest expense for a total of \$221,260 for the year ended December 31, 2021.

Of the 100% of attendees that voted, 100% were in favor.

MOVED BY Roxanne Notley, **SECONDED BY** Dwayne Cull
MOTION CARRIED

MESSAGES FROM GUESTS

- Tom Fraize, Legal Counsel for Eagle River Credit Union commented on how he has enjoyed working with the Board, Senior Management and Staff over the past years. He also said that the merger is a logical move for us.
- Christopher Mitchelmore, Executive Director, St. Anthony Basin Resources Inc. (SABRI) commented on how delighted he was to be able to attend this meeting. They are proud members of the St. Anthony Branch. He spoke on how the credit union helped with the financing of one of their large projects. He commended Eagle River Credit Union's leadership and board and wished us success in the future.
- Dave Walsh, Managing Director of Newfoundland Labrador Federation of Cooperatives (NLFC) brought forward greetings. He thanked Eagle River Credit Union for their membership in the NLFC. He spoke on some of the projects that they are working on now – the launching of a Co-Op Mentorship Program, a 5-year MOU with the Government to create new Co-Ops and the Co-Op Development Fund. He congratulated Eagle River Credit Union on the merger.
- Michael Leonard, President, and CEO of Atlantic Central brought greetings on behalf of Atlantic Central. He advised that there are 42 Credit Unions in the Atlantic Credit Union System. Overall, credit unions had a strong 2021. He advised that Credit Unions lead the country in customer service. We have seen an increase in digital adoption by members. He thanked Shanti Samaroo and Alvina O'Brien for their leadership in the credit union system over the past number of years. He also thanked Bert Belben for his strong board leadership. He congratulated Eagle River Credit Union on the merger.

AGM 2021 - Minutes (con't) (Eagle River Credit Union)

- Dan Sheaves, President of Atlantic Edge Credit Union Limited commented on the merger. He advised that we will be stronger together. Eagle River Credit Union and Leading Edge Credit Union are similar in mindset. He is looking forward to us growing together.

The Chair, Bert Belben, gave his closing comments. He advised that we are working diligently to staying compliant with the Credit Union Act. Technology will play a big part on how we do business in the future. Over the past we have been speaking on mergers. Going forward there will be more mergers to come. As a board, we continue to work towards success. The Chair thanked everyone for coming out to our 38th AGM.

Door prizes were drawn for.

ADJOURNMENT

MOTION – 2022 AGM – O3 to adjourn the meeting at 8:22 pm. MOVED BY Dwayne Cull

CHAIR

CORPORATE SECRETARY

Message from the President

To all owner-members of Atlantic Edge Credit Union:

As I write my first message as President of the Board of Atlantic Edge Credit Union, it appears we can get back to our normal activities after the COVID-19 turbulence of the last three years. Although there is still a presence of COVID-19 in our communities, we have been able to put most restrictions behind us.

While the environment resulting from COVID-19 continued to present difficulties, 2022 has been a very successful year for your credit union. The amalgamation between Leading Edge and Eagle River Credit Unions was effective January 1. While there have been challenges, our CEO and his team have managed to combine the two entities into one corporation with a solid foundation, having total assets exceeding \$335 million. Management and staff should be very proud of the leadership and teamwork demonstrated during this transition period.

The current year also saw the return of inflation rates that have not been seen since the mid-1970s. The Bank of Canada responded to this rapid rise in the cost of consumer goods and services by raising interest rates sharply throughout 2022. Your credit union responded to this by continuing to offer competitive rates and by working with any member that reached out for assistance as a result of inflationary pressures. Inflation seems to have peaked and started its decline, so our expectation is that the need for additional increases in interest rates should be minimal as we move into 2023.

As was committed in our business plan, there have been no staff reductions resulting from the amalgamation. Your credit union has had 25 new hires since the amalgamation took effect, with the majority of those being in front-line or in-branch positions. Our focus continues to be on providing quality service at all eleven of our branches. Labor shortages at several of our branch locations also necessitated unscheduled closings several times throughout the year. This issue is not unique to your credit union as many businesses are struggling to find staff. These challenges are expected to continue into 2023. Your Board of Directors will continue to monitor such issues closely so that we can minimize the impacts on the credit union and its members.

The coming year is shaping up to be a challenging one as your credit union has several major initiatives planned. We were notified by our service provider in 2020 that our banking platform has reached end of life. A new service provider and platform will be implemented in 2024, and preparation is already underway. This will require a sizable investment of financial resources. Additionally, management and staff will be required to assist in implementation and participate in training on the new platform. This new banking platform will offer not only service improvements, but also additional safeguards against cybersecurity threats, which are increasing at an exponential rate.

Finally, during 2022, we commenced conversations with other credit unions concerning the potential of combining our operations through another merger. The merger between Leading Edge and Eagle River has clearly resulted in benefits to both organizations and its members. We view the current discussions as an opportunity to build on that momentum as a means to deliver significant value to all stakeholders, and as a way to “future proof” your credit union in the face of an ever-changing financial landscape.

The Board of Directors would like to thank our CEO and his operational team for their dedicated performance in 2022. The continued success of Atlantic Edge Credit Union is a direct result of their efforts. As Chair of the Board, I would also like to thank the members of the Board of Directors for their efforts over the last year. The merger completed in 2022 and the initiatives planned for 2023, described above, have resulted in demands on their time far beyond what would ordinarily be expected of a director. Their dedication has also been integral to the success of Atlantic Edge Credit Union.

Co-operatively yours,

Dan Sheaves,
Board President

Message from the CEO

To all member-owners of Atlantic Edge Credit Union:

I am extremely pleased to bring forth the first annual report for Atlantic Edge Credit Union (AECU). It details the membership vote for a merger of Eagle River Credit Union and Leading Edge Credit Union, and the impact of the combined network of 11 branches. This report provides information on the impact on members and employees. It also provides information about community impact activities and the possibility of another merger.

In 2021, the membership of Eagle River Credit Union and Leading Edge Credit Union voted in favor of a merger, unifying two strong, well established credit unions. We committed that, through a merger, the new credit union could do more for its members and ensure local community-based banking options remain a competitive and accessible choice for our members and for the communities we serve for years to come. Considering the vast number of changes facing the financial industry, uniting two successful credit unions strengthens our opportunity to navigate such challenges.

The post-pandemic economic environment remained unstable throughout 2022. Inflationary pressures pushed the Bank of Canada interest rates up by 3.75% over the course of the year. The cost of goods and materials for consumers continue to rise rapidly, impacting the financial position of members. AECU responded by remaining extremely competitive during this period. Members availed of 1,082 loans and mortgages, for a net increased value of \$5.7 million.

A significant value proposition of the merger was that members would have greater access to banking services through a combined network of 11 branches. The impact of this larger network was felt immediately when dealing with the issues that COVID-19 presented. Employees were shared amongst the credit union network to keep the branches open and serving the membership. Member transactions and interactions started to increase for the more urban branches as members from outlying communities enjoyed the convenience of accessing services at their non-traditional branch. In a December 2022 survey, over 99% of members surveyed said their opinion of the merger was either positive or neutral, meaning that we were successful in our promise to continue to deliver the same great service our members had come to expect and bring even further enhancements through merger-related growth.

Members also benefited from the launch of a redesigned chequing and savings account offering. The new account packages launched in May 2022, and over 13,000 members have migrated to date, saving members over \$30,000 in package fees. In late 2022, AECU expanded our card services options to include a new Debit MasterCard allowing members to make purchases online directly from their credit union chequing account.

In December 2022, we launched a comprehensive member engagement survey to measure our members' experiences and expectations of their new Atlantic Edge Credit Union. Recognizing that 2022 was a year of significant change for our members, from economic turmoil to post-pandemic recovery, we were very pleased that over 17% of members completed our survey with an overall satisfaction rating of 91.3%. Our members also indicated that over the next three to five years, the most important factors to ensure their continued satisfaction with AECU are "friendly and professional staff" and "competitive rates and service fees." Over 86% of members reported that they are confident that AECU can meet their future needs. This statistic is a testament that members trust their credit union in assisting them in reaching their financial goals.

In addition to our primary focus on our members, 2022 was also a year of getting to know our newly merged AECU staff. We focused on engagement activities to promote team cohesion and to give our staff the tools and development opportunities they needed to serve our members and deliver on our vision and mission. In June 2022, we brought together the entire people leaders team for our first in-person leadership development weekend. During the session, participants discussed ways to optimize our collaboration as well as strategic planning and goal setting for the future of AECU. We also held 47 virtual all staff meetings, fondly referred to as CU Fridays, where we discussed operational and financial goals and performance, held important staff training sessions, engaged in team building exercises, and provided opportunities for staff to give input on projects and initiatives.

Two post-merger internal surveys were also conducted in 2022, one in March and another in November. The results gave us important insights into areas where employees felt we were doing well with bringing the two organizations together and areas where we had opportunities to improve. Most notably, 100% of employees surveyed in

Message from the CEO (con't)

November agreed that they understand their role and how it relates to the success of the credit union, up from 88% in March. This demonstrates that we have done well with communicating and engaging staff on our collective purpose as a credit union, an important metric in role satisfaction. One area of improvement that holds our focus going forward was with respect to reasonable workloads since the merger. We recognize that there were many factors that contributed to elevated workloads in 2022, including staff shortages and short-term integration activities. As noted above, we have made significant progress on recruiting a full staff compliment and we will continue to take every step necessary to ensure our employees have a healthy work-life balance and are supported in their personal and professional development.

Employees were advised that a merger could deliver more opportunities for career growth and professional development. In 2022, employees registered for 720 courses, while eight employees received promotions, three casual employees became full-time, and two contract employees became permanent. There were 25 new hires, including two students who availed of training and development in the marketing and human resources departments. A decentralized corporate office structure has allowed employees to transition from branch to corporate roles without having to move and disrupt their household. Additionally, a modern HR policy manual was implemented, providing employees enhanced benefits. Despite these advancements, employment challenges continue to be an issue in several areas where we provide services. Our credit union is committed to finding innovative solutions to ensure optimal service delivery to our members and provide employees a safe and enjoyable working environment.

I am proud to report on our community impact activities for the past year. True to our vision of "Growing Stronger Together", AECU prioritizes community care and positive stakeholder impact and continues to grow in this area. Your credit union undertook many initiatives throughout the year, and also hired a full-time Community Impact and Engagement Specialist to support these efforts. Some highlights of our work include:

- Expansion of the Warm Coats for Kids program to all eleven branches, which provided 305 coats to children in need in our communities.
- Implementation of Do Some Good, a certified B Corp social enterprise operating nationwide, as a tool to maximize CSR engagement and reporting capabilities.
- Participation in the Loyal2Local and Pay It

Forward initiatives, in partnership with Atlantic Central, to empower staff to reinvest in their communities.

- Fundraising totals of \$77,452.
- Approximate forfeited revenue of over \$81,000 (including interest savings for community daycares, members' interest savings on Eco Loans, and no-fee community accounts).
- Over \$15,000 in other donations, sponsorships, community contributions.

Completing the merger while continuing to provide members exceptional service is a task that all staff embraced. I would like to thank each of them for working tirelessly to ensure our members' standards were exceeded. The strength of this organization is its people, and the team has grown and adopted a single vision to serve the current and emerging needs of members.

This year, conversations with other credit unions commenced on the possibility of combining resources in another merger. A business plan was prepared and presented to the Board of Directors highlighting the value proposition of another merger. It was clear, based on the previous merger experience and the partnering credit unions, a merged entity could provide significant value to all stakeholders. With 15 locations throughout Newfoundland and Labrador, serving 24,000 members with 110+ employees, members, both employees and the communities which we serve would see benefits, both immediate and well into the future. It is important that you exercise your democratic right as a member and take part in this exciting opportunity by casting your vote following our Annual General Meeting.

Co-operatively yours,

Cory Munden,
Chief Executive Officer

Audit Committee Report

The Audit Committee is a very integral component of internal control procedures and is a key liaison with auditors. The committee has the overall responsibility to review the financial position of the credit union, as well as to review any recommendations made by internal auditors, external auditors, and other audit or examination reports received by the credit union.

In 2022, the first task of the committee was to complete a terms of reference. Both legacy credit union terms of reference were reviewed, and it was decided that the name of the committee would become the Audit, Risk and Conduct Review Committee. A new terms of reference was presented to the board and adopted in May 2022.

The committee met six times in 2022 and consisted of five directors. Some of the activity of the committee included:

- Preparing a response to the Credit Union Deposit Guarantee Corporation regarding an audit completed in the prior at Eagle River Credit Union.
- Review of the proposed Atlantic Edge Credit Union internal audit scope.
- Preparing a request for proposal for external accounting services.
- Review of internal financial statements at each meeting of the committee.
- Review and recommendation of proposed write-offs to be presented to the Board of Directors.
- Review of the asset and liability management report prepared by Atlantic Central ALM team.
- Review of a report prepared by management on consumer proposal activity within the credit union.
- Review of the investment strategy report prepared by management.
- Review of quarterly loan reports prepared by management.

It is the opinion of the Audit, Risk and Conduct Review committee that all activities required within the terms of

reference for the committee were completed in 2022. As chairperson of the committee, I would like to thank the management and staff of Atlantic Edge Credit Union for the work completed in the first year of operations. There was significant work completed in building a robust internal audit function as well as a strong compliance regime.

We are also pleased to have Grant Thornton as our external auditors and look forward to working with them over the next five years.

Co-operatively Yours,

Brad Hancock,
Chairperson
Audit, Risk and Conduct Review Committee



Lending Committee Report

To all Member-Owners of Atlantic Edge Credit Union:

In 2022, 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 \$315,475.32.

The Manager of Credit Services provides critical support to the Lending Committee by ensuring all financial industry trends and best practices are considered for implementation. Manager of Credit Services is also responsible for monitoring and supervision of the lending portfolio both retail and commercial and 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 2022, there were 42 approvals totalling \$1,483,502 of credit for these members.

The committee would like to outline the following loan report for the year ending December 31, 2022:

Type of Loan	Total Number	Total Value
Current Loans and Mortgages	6798	234,204,367
Impaired Loans and Mortgages	90	4,141,7483
TOTAL	6888	238,346,115

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 Credit Services
Atlantic Edge Credit Union



Community Impact Committee Report

To all Member-Owners of Atlantic Edge Credit Union (AECU):

As member-owners of AECU, we are committed to the growth and development of our Credit Union and the communities we serve. Through all levels of our organization, individuals contribute tirelessly to making meaningful impacts and positive changes and supporting one another.

When AECU was formed, the vision “Growing Stronger Together” was adopted to highlight the opportunities created by merging. Numerous events this year truly tested our membership, as we faced many challenges such as rapid inflation bringing financial stress, housing shortages, and even natural disasters that we are still working to rebuild from. Throughout these challenging times, your credit union has been there to support membership and communities. Some examples include:

- The Warm Coats for Kids program was extended to all communities served by our branches and provided 305 coats to children in need.
- Corporate Office and the Board continued to work towards launching a Community Grant Program that will benefit our communities and strive to assist leaders and volunteers in making them better places for everyone.

- The Board worked with Corporate Office to complete a Sponsorship and Donations Policy; the finalization of this policy will provide framework and guidance for the organization in delivering donations and community support.
- The Board and AECU staff continued its commitment to inclusive governance and social justice by participating in the 4 Seasons of Reconciliation foundational learning, concerning truth and reconciliation with Canada’s indigenous peoples.
- Corporate Office adopted Do Some Good as a CSR tracking tool that is deeply integrated into the Community Impact work.
- Corporate office and Board continue to review opportunities to support newcomers to our communities, particularly international students, and recent immigrants.

Finally, I would like to take this opportunity to thank the management and employees of AECU. At all levels of the organization, there was great demonstration of innovation, dedication, and perseverance to provide unparalleled customer service and outstanding community support.

Co-operatively yours,

Jeff Patry,
Chairperson
Community Impact Committee



Community Impact Committee Report (con't)



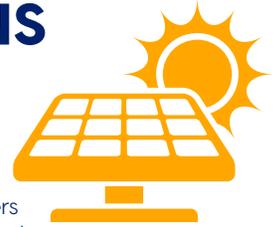
\$42,000

Forfeited revenue from the free account packages offered to **284 community organizations.**

ECO LOANS

Over **\$9,550** in interest savings

to make environmentally friendly home upgrades more affordable for members and better for the environment.



Growing our Future

\$29,513 in interest savings in support of two community daycare centres.



1826

Employee volunteer hours made through personal and work-supported time.

Positions Completed **107**

\$36,520
MONETARY VALUE

FIFTY+
Organizations



Highest since pre-pandemic 2019 numbers

LOYAL 2 LOCAL



Empowered staff with **\$50** in spending to support local businesses.



Staff and Board were gifted **\$50** to "pay it forward" to support local cause of their choice during December.

Over **\$4,850** was distributed to charities, organizations, families, and individuals in need.

Over **25 organizations** were positively impacted, as well as countless people.



\$15,665

Donations and sponsorships to local **community organizations.**



\$5,000 donated to Kids Eat Smart Foundation

FOOD BANK

\$3,600 donated. Total donations to **\$32,200**

93% Overall member satisfaction level.



8 out of 10 members indicate they've chosen to bank with a credit union because we're different than a bank.

EACH ONE TEACH ONE

6 Financial Literacy Sessions were hosted, and **3 additional staff** were trained to deliver sessions.



\$4,250 in scholarships for 2022

\$67,816

Community Enhancement Fund Funds raised by members and staff for community organizations.

WARM COATS FOR KIDS

305 coats purchased. **\$13,298** program cost. **\$9,636** through staff fundraisers. **1243** coats since 2018.

Governance Committee Report

To the Members of Atlantic Edge Credit Union:

The Governance Committee was active over the past year, having met on 10 occasions. The core function of the Governance Committee is to develop and recommend Atlantic Edge Credit Union's (AECU) approach to good governance and AECU's Governance Framework, and support and oversee Board of Directors Recruitment. The committee will lead the process to support the effectiveness of the Board, Committees and individual members.

The Committee devoted much of its attention to establishing and actioning a workplan to guide AECU's Governance focus in its inaugural year. The Workplan focused on reviewing and establishing policies in the AECU policy framework, oversight of the committee structures and Terms of Reference, and Board Training and Development Processes. Considerable activity has gone into actioning these work plan focuses.

The Committee established a Policy Review framework. The Committee developed a legend to support this process which identified policies as being adopted, in progress, drafted or flagged. This included Governance Policies and oversight of operational policies. To date over 80% of policies have been brought to the Board and adopted. The other policies are all in progress. The Committee continues its active focus on completing a robust and effective Policy Framework for AECU.

The Committee was also active in providing oversight into the Committee Structure for the Board and process for establishing committees. The Board Committees Policy was brought forward to the Board and adopted. The Terms of Reference for the Audit, Risk, And Conduct Review Committee, Governance Committee, Community Impact Committee and Executive Committee were all brought to the Board and adopted.

The Committee continues to be actively engaged in review and development of Board Training and Development Process (which includes the following initiatives: Board Recruitment Strategy, Board Orientation Program, Board of Directors Manual and Board Evaluation Program) and will continue this work well into 2023. The Committee remains focused on strengthening the Governance Model of AECU.

I would like to take this opportunity to thank the Governance Committee members, the Board, and staff of AECU for their support and co-operation in all activities of the Governance Committee. You continue to show high level of co-operative focus and professionalism as we have moved forward in our first year as ACEU. It is extremely important that we continue our strong focus on best Governance practices as we move forward.

Co-operatively yours,

Tony Leamon,
Chairperson
Governance Committee



Financial Statements

Atlantic Edge Credit Union Limited

December 31, 2022

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Independent Auditor's Report

To the Members of
Atlantic Edge Credit Union Limited

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Opinion

We have audited the financial statements of Atlantic Edge Credit Union Limited (“the Credit Union”), which comprise of the statement of financial position as at December 31, 2022, and the statements of comprehensive income, changes in members’ equity 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 Atlantic Edge Credit Union Limited as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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.

Other Matter

The financial statements of the Credit Union for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 16, 2022.

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 IFRS, 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 related 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.

St. John's, Canada
March 30, 2023



Chartered Professional Accountants

Atlantic Edge Credit Union Limited Statement of Comprehensive Income

Year Ended December 31

2022

(Note 19)

2021

Financial income		
Interest on members' loans	\$10,106,238	\$ 5,060,673
Investment income	<u>1,653,922</u>	<u>149,317</u>
	<u>11,760,160</u>	<u>5,209,990</u>
Financial expense		
Interest on members' deposits	1,448,684	1,457,623
Dividends and patronage	<u>392,085</u>	<u>4,026</u>
	<u>1,840,769</u>	<u>1,461,649</u>
Financial margin	9,919,391	3,748,341
Other income (Note 12)	<u>3,597,962</u>	<u>1,615,262</u>
Financial margin and other income	<u>13,517,353</u>	<u>5,363,603</u>
Operating expenses		
Members' security (Note 17)	546,478	326,363
General business (Note 17)	4,326,295	1,802,490
Occupancy (Note 17)	912,947	447,180
Personnel	<u>5,289,795</u>	<u>2,326,328</u>
	11,075,515	4,902,361
Net income before income taxes	<u>2,441,838</u>	<u>461,242</u>
Income taxes (Note 5)		
Current	581,728	49,897
Deferred	<u>34,257</u>	<u>6,093</u>
	<u>615,985</u>	<u>55,990</u>
Net income and comprehensive income	<u>\$ 1,825,853</u>	<u>\$ 405,252</u>

See accompanying notes to the financial statements.

Atlantic Edge Credit Union Limited

Statement of Changes in Members' Equity

Year Ended December 31, 2022

	Retained Earnings (Note 14)	Contributed Surplus	Total Members' Equity
Balance at January 1, 2021	\$ 6,540,563	\$ -	\$ 6,540,563
Net comprehensive income	<u>405,252</u>	<u>-</u>	<u>405,252</u>
Balance at December 31, 2021	6,945,815	-	6,945,815
Net comprehensive income	1,825,853		1,825,853
Increase in contributed surplus from business combination (Note 4)	<u> </u>	<u>8,573,364</u>	<u>8,573,364</u>
Balance at December 31, 2022	<u>\$ 8,771,668</u>	<u>\$ 8,573,364</u>	<u>\$17,345,032</u>

See accompanying notes to the financial statements.

Atlantic Edge Credit Union Limited

Statement of Financial Position

(Note 19)

December 31

2022

2021

Assets

Cash and cash equivalents (Note 6)	\$ 16,350,528	\$ 16,734,122
Members' loans (Note 7)	237,783,006	121,877,029
Investments (Note 8)	76,379,677	15,566,931
Property and equipment (Note 9)	4,095,637	2,570,689
Accounts receivable	682,142	63,581
Prepaid expenses	1,237,490	43,891
Deferred income taxes (Note 5)	<u>112,619</u>	<u>12,359</u>
	<u>\$ 336,641,099</u>	<u>\$ 156,868,602</u>

Liabilities

Payables and accruals	\$ 2,747,772	\$ 1,210,846
Income taxes payable	369,929	16,266
Dividends and patronage refunds payable	335,926	4,027
Members' deposits (Note 10)	312,928,875	147,665,097
Members' shares (Note 10)	<u>2,913,565</u>	<u>1,026,551</u>
	<u>319,296,067</u>	<u>149,922,787</u>

Members' Equity

Retained earnings (Note 14)	8,771,668	6,945,815
Contributed surplus (Note 4)	<u>8,573,364</u>	<u>-</u>
	<u>17,345,032</u>	<u>6,945,815</u>
	<u>\$ 336,641,099</u>	<u>\$ 156,868,602</u>

Commitments (Note 18)

On behalf of the Board

_____ Director

_____ Director

See accompanying notes to the financial statements.

Atlantic Edge Credit Union Limited

Statement of Cash Flows

December 31	2022	2021
Increase (decrease) in cash and cash equivalents		
Operating		
Net income and comprehensive income	\$ 1,825,853	\$ 405,252
Adjustments for:		
Deferred income tax	34,257	6,093
Depreciation	496,208	194,446
Changes in assets and liabilities		
Other assets	(1,133,587)	72,589
Dividends payable	110,639	(2,020)
Payables and accruals	319,462	105,507
Income taxes payable	360,897	13,252
	<u>2,013,729</u>	<u>795,119</u>
Financing		
(Decrease) increase in members' deposits and equity, net	<u>(8,169,135)</u>	<u>8,517,844</u>
Investing		
Increase in members' loans, net	(6,808,988)	(8,928,193)
Purchase of property and equipment	(61,307)	(29,619)
Increase in investments, net	(266,016)	(624,642)
Cash resources acquired upon business contribution	<u>12,908,123</u>	<u>-</u>
	<u>5,771,812</u>	<u>(9,582,454)</u>
Decrease in cash and cash equivalents	(383,594)	(269,491)
Cash and cash equivalents		
Beginning of year	<u>16,734,122</u>	<u>17,003,613</u>
Ending of year	<u>\$16,350,528</u>	<u>\$16,734,122</u>

See accompanying notes to the financial statements.

Atlantic Edge Credit Union Limited

Notes to the Financial Statements

December 31, 2022

1. Government legislation and operations

Atlantic Edge Credit Union Limited (the "Credit Union") is incorporated provincially under the The Credit Union Act, 2009 and provides financial services to residents of the Province of Newfoundland and Labrador. Membership in the Credit Union is open to residents of Newfoundland and Labrador. The Credit Union has 11 branches in Newfoundland and Labrador, including Happy Valley-Goose Bay, Mary's Harbour, L'Anse au Loup, St. Anthony, Port Saunders, Deer Lake, Corner Brook, St. George's, Jeffrey's, Doyles and Port aux Basques. On January 1, 2022, the Credit Union was formed with the amalgamation of Eagle River Credit Union Limited and Leading Edge Credit Union Limited. These financial statements represent the continuity of predecessor credit union, Leading Edge Credit Union Limited from inception and the results of Eagle River Credit Union Limited from the date of amalgamation.

These financial statements were authorized for issue by the Board of Directors of Atlantic Edge Credit Union Limited on March 30, 2023.

2. Significant accounting policies

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (the "IASB"). The principal accounting policies applied in the preparation of these financial statements is set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of presentation

The Credit Union's functional and presentation currency is the Canadian dollar. The financial statements are presented in accordance with International Accounting Standards ("IAS") 1 "*Presentation of Financial Statements*".

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Credit Union's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Revenue recognition

Interest income is accrued monthly by reference to the principal outstanding at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income is recognized when the right to receive payment is established. Dividends are included in investment income in the Statement of Comprehensive Income.

The Credit Union's revenue includes service charges and fees, and is recognized as the related services are performed. The performance obligation for service charges and fees is typically completed at the point in time the transaction is completed as the member has consumed all of the benefits provided by the Credit Union.

Atlantic Edge Credit Union Limited

Notes to the Financial Statements

December 31, 2022

2. Significant accounting policies (cont'd.)

Business combinations

The Credit Union applies the acquisition method in accounting for business combinations. The consideration transferred by the Credit Union to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Credit Union, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

Consideration transferred as part of a business combination does not include amounts related to the settlement of pre-existing relationships. The gain or loss on the settlement of any pre-existing relationship is recognised in profit or loss. The Credit Union recognises assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognized in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are measured at their acquisition-date fair values.

Where there is acquisition from the combination of mutual entities, the Credit Union recognises the acquiree's net assets as a direct addition to capital or equity in its statement of financial position, not as an addition to retained earnings.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits with banks and Atlantic Central and other highly liquid investments with maturities of three months or less from date of acquisition. Bank borrowings are considered to be financing activities.

Members' loans

Members' loans are initially measured at fair value, net of loan origination fees and inclusive of transaction costs incurred. Members' loans are subsequently measured at amortized cost, using the effective interest rate method, less any impairment losses.

Members' loans are reported at their recoverable amount representing the aggregate amount of principal, less any allowance or provision for impaired loans plus accrued interest. Interest is accounted for on the accrual basis for all loans.

Members' deposits

All members' deposits are initially measured at fair value, net of any transaction costs directly attributable to the issuance of the instrument. Members' deposits are subsequently measured at amortized cost, using the effective interest rate method.

Member shares

The Credit Union's membership shares are presented in the Statement of Financial Position as financial liabilities in accordance with the substance of the contractual terms of the instruments. These shares qualify as capital for regulatory purposes. Payments of dividends and patronage refunds on membership shares are presented as a financial liability and recognized in the statement of comprehensive income in the year to which they relate. Dividends and patronage refunds are recorded when declared by the Board of Directors.

Atlantic Edge Credit Union Limited

Notes to the Financial Statements

December 31, 2022

2. Significant accounting policies (cont'd.)

Impairment of financial assets

The Credit Union assesses impairment of its financial assets on a forward-looking basis, referred to as the 'expected credit loss (ECL) model'. The Credit Union recognizes an impairment loss allowance for such losses at each reporting period regardless of an actual loss being occurred. The Credit Union considers reasonable and supportable information that is available at the reporting date about past events, current conditions, and forecasts that affect the expected collectability of the future cash flows of the instruments when assessing credit risk and measuring expected credit losses.

The calculation of ECL allowances is based on the expected value of three probability-weighted scenarios to measure the expected cash shortfalls, discounted at the effective interest rate. A cash shortfall is the difference between the contractual cash flows that are due and the cash flows that the Credit Union expects to receive. The key inputs in the measurement of ECL allowances are as follows:

- The probability of default ("PD") is an estimate of the likelihood of default over a given time horizon;
- The loss given default ("LGD") is an estimate of the loss arising in the case where a default occurs at a given time; and
- The exposure at default ("EAD") is an estimate of the exposure at a future default date.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instruments. In applying this forward-looking approach, a distinction is made between:

- Stage 1 – financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk;
- Stage 2 – financial instruments that have deteriorated significantly in credit quality since initial recognition or whose credit risk is not low; and
- Stage 3 – financial assets that have objective evidence of impairment at the reporting date.

Stage 1

On initial recognition of the financial instrument, a loss allowance is recognized and maintained equal to 12 months of ECL, being the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on the financial instrument that are possible within the 12 months after the reporting date.

Stage 2

If credit risk increases significantly relative to the initial recognition of the financial instrument, the loss allowance is increased to cover full lifetime ECL. In assessing whether credit risk has significantly increased, the Credit Union compares the risk of a default occurring on the financial instrument as at the reporting date, with the risk of default occurring on the financial instrument as at the date of its initial recognition. Evidence of increased credit risk is observed when the financial instrument has had an unfavorable movement in internal risk assessment. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the Credit Union places the financial instrument in the Stage 1 category and reverts to recognizing 12 months of ECL.

Atlantic Edge Credit Union Limited

Notes to the Financial Statements

December 31, 2022

2. Significant accounting policies (cont'd.)

Stage 3

When a financial instrument is considered credit-impaired, the loss allowance continues to reflect lifetime expected credit losses. The Credit Union considers a financial instrument as impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial instrument have occurred after its initial recognition. Evidence of impairment includes indications that the borrower is experiencing significant financial difficulties, or a default or delinquency has occurred. All financial instruments on which repayment of principal or payment of interest is contractually 90 days in arrears are considered impaired. All financial instruments where the borrower has filed for bankruptcy or consumer proposal will also be re-staged to Stage 3.

Changes in the loss allowance, including the movement between 12 months and lifetime expected credit losses, is recorded in the Statement of Comprehensive Income.

Financial instruments are written off, either partially or in full, against the related allowance for credit losses when there is evidence that there is no realistic prospect of future recovery. When financial instruments are secured, a write-off is recognized after all collateral has been realized or transferred to the Credit Union, or in certain circumstances, when the net realizable value of any collateral and other available information suggests that there is no reasonable expectation of further recovery. In events where a bankruptcy or consumer proposal occurs, management will file all required documentation with the Trustee and realize on any available security with the unrecoverable balance being immediately written off. In subsequent periods, any recoveries of amounts previously written off are credited to bad debt recovery.

Provisions

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Credit Union and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes or onerous contracts. Provisions are not recognized for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Derivative financial instruments

The Credit Union classifies certain financial assets upon initial recognition at fair value through profit or loss. Financial instruments included in this category are the derivatives related to index-linked term deposits and classified as a non-hedge derivative. These instruments are measured at fair value, both initially and subsequently. The related transaction costs are expensed. Gains and losses arising from changes in fair value of these instruments are recorded in net income. At December 31, 2022, the Credit Union held \$37,178 in index-linked deposits. The Credit Union's policy is not to utilize derivative financial instruments for trading or speculative purposes.

Atlantic Edge Credit Union Limited

Notes to the Financial Statements

December 31, 2022

2. Significant accounting policies (cont'd.)

Leases

The Credit Union makes use of leasing arrangements principally for office space.

For any new contracts entered into, the Credit Union considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Credit Union assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Credit Union
- the Credit Union has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Credit Union has the right to direct the use of the identified asset throughout the period of use. The Credit Union assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Credit Union recognizes a right-of-use asset and a lease liability on the Statement of Financial Position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Credit Union, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Credit Union depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Credit Union also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Credit Union measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Credit Union's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Atlantic Edge Credit Union Limited

Notes to the Financial Statements

December 31, 2022

2. Significant accounting policies (cont'd.)

Subsequent to initial measurement, the liability will be reduced by lease payments that are allocated between repayments of principal and finance costs. The finance cost is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. It is remeasured to reflect any reassessment or modification, or if there are changes in the substance of fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Credit Union has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the Statement of Financial Position, right-of-use assets have been included in property and equipment and lease liabilities have been included in payables and accruals.

Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit or loss.

Recognition of deferred tax assets for unused tax (losses), tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available which allow the deferred tax asset to be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The amount of the deferred tax asset or liability is measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date and are expected to apply when the liabilities are settled or assets are recovered.

Investments

The Credit Union's term deposits, liquidity and mortgage pools are measured at amortized cost and income related to these investments is included in investment income. Investments are tested annually for impairment.

Atlantic Edge Credit Union Limited

Notes to the Financial Statements

December 31, 2022

2. Significant accounting policies (cont'd.)

Property and equipment

Property and equipment are initially recorded at cost and subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is recognized using the declining-balance (“DB”) and straight-line (“SL”) methods at the following rates:

Paved area	15% declining balance
Buildings	4-5% declining balance
Furniture and equipment	20% declining balance
Computers	30% declining balance
Leasehold improvements	Straight line over life of the lease term

Depreciation methods and useful lives are reviewed annually and adjusted if necessary.

Impairment of non-financial assets

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of the value in use and fair value less costs to sell, the asset is written down accordingly. Impairment charges are included in net income.

Risk management

In the normal course of business, the Credit Union is exposed to liquidity risk, credit risk, and market risk. There has been no change in how the Credit Union manages those risks from the previous year.

It is the policy of the Credit Union to manage significant risks efficiently and effectively through an Enterprise Risk Management Process which includes a comprehensive infrastructure of policies, procedures, methods, oversight and independent review designed to reduce the significant risks and to manage those risks within an appropriate threshold. The Credit Union provides their staff with the training necessary to understand and implement these policies and processes. The Board of Directors is provided with timely, relevant, accurate and complete reports on the management of significant risks. Significant risks managed by the Credit Union include liquidity, credit and market risks.

Liquidity risk

Liquidity risk is the risk that the Credit Union cannot meet a demand for cash or fund its obligations as they come due. The Credit Union’s management oversees the Credit Union’s liquidity risk to ensure the Credit Union has access to enough readily available funds to cover its financial obligations as they come due. The Credit Union’s business requires such capital for operating and regulatory purposes. See Note 11 for further information about the Credit Union’s capital requirement and management.

Atlantic Edge Credit Union Limited

Notes to the Financial Statements

December 31, 2022

2. Significant accounting policies (cont'd.)

Credit risk

Credit risk is defined as the risk of financial loss to the Credit Union as the result of a member failing to meet their obligations in accordance with contractual terms.

Concentrations of credit risk exist if a number of borrowers are engaged in similar economic activities or are located in the same geographic region, and indicate the relative sensitivity of the Credit Union's performance to developments affecting a particular segment of borrowers or geographic region. Geographic credit risk exists for the Credit Union due to most of its service being primarily provided to municipalities in Western Newfoundland, and Labrador. The exposure to credit risk associated with the non-performance of these members can be directly impacted by a decline in economic conditions which would impair the members' ability to satisfy their obligations to the Credit Union. In order to reduce this economic risk, the Credit Union has comprehensive credit procedures in place whereby analyses are performed to control the granting of credit to all members.

The Credit Union maintains its impairment on financial assets using the expected credit loss model. The expected credit losses are assessed at each reporting period by classifying each account into its respective stage based on management's knowledge and financial position of the borrower. For those financial instruments where credit quality has not deteriorated since initial recognition or have low credit risk, they are assigned to Stage 1 and a 12-month expected credit loss is recognized based on factors such as market conditions, concentration of credit risk of the members' accounts, general state of the economy and future looking information. Those financial instruments where there is increased credit risk, those instruments are assigned to Stage 2 and a full lifetime expected credit loss is recognized. Those financial instruments where credit quality has deteriorated and there is objective evidence of impairment are assigned to Stage 3 and a full lifetime expected credit loss is recognized. Management regularly monitors the Credit Union's credit risk and reports to the Board of Directors on a regular basis.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. For purposes of this disclosure, the Credit Union segregates market risk into two categories: fair value risk and interest rate risk.

a) Interest rate risk

The Credit Union has interest-bearing loans on which general interest rate fluctuations apply. The financial risk is the risk to the Credit Union's earnings that arises from fluctuations in interest rates and foreign exchange rates and the degree of volatility of these rates. The Credit Union does not use derivative instruments to reduce its exposure to interest and foreign currency risk. See Note 16 for further information on interest rate risk of financial instruments.

b) Fair value risk

Fair value risk is the potential for loss from an adverse movement in the value of a financial instrument. The Credit Union incurs fair value risk on its loans, term deposits and investments held. The Credit Union does not hedge its fair value risk. See Note 15 for further information on fair value of financial instruments.

Atlantic Edge Credit Union Limited

Notes to the Financial Statements

December 31, 2022

2. Significant accounting policies (cont'd.)

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Credit Union becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire, or when the financial asset, and substantially all the risks and rewards, are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets and financial liabilities

The Credit Union classifies its financial assets and financial liabilities according to their characteristics and management's intentions related thereto for the purpose of ongoing measurements. Financial assets and financial liabilities are initially measured at fair value, adjusted for transaction costs (where applicable), regardless of classification choice and are subsequently accounted for based on classifications described below.

Financial assets, other than those designated as effective hedging instruments, are classified as either amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The Credit Union does not have any financial assets designated as FVOCI. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs, unless designated as FVTPL.

The classification of financial assets is determined by both:

- The Credit Union's business model for managing the financial asset, and
- The contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs, finance income, or other financial items.

Subsequent measurement of financial assets

Financial assets are measured at amortized cost if the assets are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows and where those cash flows represent solely payments of principal and interest, and that are not designated at FVTPL. After initial recognition, the financial assets are measured at amortized cost using the effective interest method, less provision for loss impairment.

The following financial assets are classified as amortized cost:

- Cash
- Accounts receivable
- Investments - Term deposit, liquidity and mortgage pools
- Members' loans

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorized at fair value through profit and loss. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

The following financial assets are classified as FVTPL:

- Investment in shares

Atlantic Edge Credit Union Limited

Notes to the Financial Statements

December 31, 2022

2. Significant accounting policies (cont'd.)

The investments in shares are unlisted entities which are measured at fair value, with the exception of where such information is not available, in which case the investments are recorded at cost, as an estimate of fair value for unquoted equity instruments. The Credit Union assesses all relevant and available information when determining the measurement of the unquoted equity instruments, including evidence provided by recent similar transactions.

The Credit Union's Atlantic Central membership shares are subject to a rebalancing mechanism and transactions occur at par value; therefore, providing a reasonable estimate of fair value.

Subsequent measurement of financial liabilities

Financial liabilities are subsequently measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in profit to loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

The following financial liabilities are classified as other financial liabilities and subsequently measured at amortized cost:

- Payables and accruals
- Dividends and patronage rebates payable
- Members' deposits

3. Significant management judgment in applying accounting policies and estimation uncertainty

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed as follows:

Estimates

Allowance for credit losses

The expected credit loss model requires the recognition of credit losses based on up to 12 months of expected losses for performing loans and the recognition of lifetime losses on performing loans that have experienced a significant increase in credit risk since origination. The determination of a significant increase in credit risk takes into account many different factors and varies by loan type and risk segment. The main factors considered in making this determination are relative changes in probability of default since origination, and certain other criteria, such as 30-day past due and delinquency status. The assessment of a significant increase in credit risk requires experienced credit judgment.

Atlantic Edge Credit Union Limited

Notes to the Financial Statements

December 31, 2022

3. Significant management judgment in applying accounting policies and estimation uncertainty (cont'd.)

In determining whether there has been a significant increase in credit risk and in calculating the amount of expected credit losses, we must rely on estimates and exercise judgment regarding matters for which the ultimate outcome is unknown. These judgments include changes in circumstances that may cause future assessments of credit risk to be materially different from current assessments, which could require an increase or decrease in the allowance for credit losses.

Impairment

An impairment loss is recognized for the amount by which an asset's carrying amount exceeds its recoverable amount, which is the higher of fair value less cost to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each asset or cash generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances.

The actual results may vary, and may cause significant adjustments to the Credit Union's assets within the next financial year. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date. At December 31, 2022, management assesses that the useful lives represent the expected utility of the assets to the Credit Union.

Fair value of financial instruments and in business combinations

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available, as well as when determining the fair values of certain assets and liabilities acquired in a business combination. Details of the assumptions used are given in the notes regarding financial assets and liabilities.

In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

For the fair value of property and equipment acquired in a business combination management completed a market assessment on its properties along with obtaining a third party market evaluation for certain properties.

Atlantic Edge Credit Union Limited

Notes to the Financial Statements

December 31, 2022

3. Significant management judgment in applying accounting policies and estimation uncertainty (cont'd.)

Leases

The Credit Union enters into leases with third-party landlords and as a consequence the rate implicit in the relevant lease is not readily determinable. Therefore, the Credit Union uses its incremental borrowing rate as the discount rate for determining its lease liabilities at the lease commencement date. The incremental borrowing rate is the rate of interest that the Credit Union would have to pay to borrow over similar terms which requires estimations when no observable rates are available. The Credit Union consults with its main financial institutions to determine what interest rate they would expect to charge the Credit Union to borrow money to purchase a similar asset to that which is being leased.

Income taxes

The Credit Union periodically assesses its liabilities and contingencies related to income taxes for all years open to audit based on the latest information available. For matters where it is probable that an adjustment will be made, the Credit Union records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

Judgments

Allowance for credit losses

In determining whether an impairment loss should be recorded in the Statement of Comprehensive Income the Credit Union makes judgment on whether objective evidence of impairment exists individually for financial assets that are individually significant.

Where this does not exist, the Credit Union uses its judgment to group member loans with similar credit risk characteristics to allow a collective assessment of the group to determine any impairment loss.

Business combinations

In applying the acquisition method in accounting for business combinations the Credit Union uses its judgement on identifying the acquirer using indicators such as relative voting rights, relative size, the governing body and the composition of senior management in the combined entity.

Atlantic Edge Credit Union Limited

Notes to the Financial Statements

December 31, 2022

4. Business Combination

On January 1, 2022 (the “acquisition date”), the legacy credit unions known as Eagle River Credit Union Limited and Leading Edge Credit Union Limited combined their respective operations by way of an amalgamation. Both organizations have a long history and were born out of a vision to deliver a more positive, inclusive banking experience than that of traditional banks. The amalgamated credit union was named Atlantic Edge Credit Union Limited (the “Credit Union”). There was no cash consideration exchanged in this transaction. The transaction was accounted for in accordance with IFRS 3, Business Combinations (“IFRS 3”), with the legacy Leading Edge Credit Union identified as the “acquirer” and the net assets of the acquired enterprise were recorded at fair value. Judgement was required in the determination of the acquirer in accordance with IFRS 3 and IFRS 10, Consolidated Financial Statements. The fair value of the assets and liabilities acquired were determined in accordance with the methods disclosed in note 3.

The following table summarizes the estimated fair values of the assets acquired and the liabilities assumed:

	<u>Fair Value</u>
Cash	\$ 12,908,123
Investments	60,546,730
Members’ loans	109,096,989
Property and equipment	1,959,849
Other assets	<u>820,324</u>
Total assets acquired	<u>185,332,015</u>
Members’ deposits	173,445,774
Payables and accruals	1,217,464
Dividends and patronage refunds payable	221,260
Members’ share capital	<u>1,874,153</u>
Total liabilities assumed	<u>176,758,651</u>
Fair value of net assets acquired	<u>\$ 8,573,364</u>

The fair value of the net assets has been recorded as contributed surplus in members’ equity. The results for the year ended December 31, 2022 include the results of the acquirer, Leading Edge Credit Union Limited, since inception and the results of the acquiree, Eagle River Credit Union, from the acquisition date forward. Financial income and profit related to the legacy Eagle River Credit Union from the acquisition date to the year ended December 31, 2022 was \$5,986,985 and \$957,241, respectively

5. Income taxes	<u>2022</u>	<u>2021</u>
Combined basic federal and provincial income		
taxes at statutory rate of 30% (2021 – 30%) applied to		
earnings from continuing operations	\$ 732,551	\$ 138,372
Small business deduction and other rate deduction credits	(90,000)	(90,000)
Permanent differences	7,034	7,618
Other	<u>(33,600)</u>	-
Income tax expense	<u>\$ 615,985</u>	<u>\$ 55,990</u>

Atlantic Edge Credit Union Limited

Notes to the Financial Statements

December 31, 2022

5. Income taxes (cont'd.)	<u>2022</u>	<u>2021</u>
Tax expense comprises:		
Current	\$ 581,728	\$ 49,897
Deferred	<u>34,257</u>	<u>6,093</u>
Income tax expense	<u>\$ 615,985</u>	<u>\$ 55,990</u>

Deferred income tax asset temporary differences comprise:

	<u>2022</u>	<u>2021</u>
Reserve	\$ 43,691	\$ -
Property and equipment	<u>68,928</u>	<u>12,359</u>
Deferred income tax asset	<u>\$ 112,619</u>	<u>\$ 12,359</u>

6. Cash and cash equivalents	<u>2022</u>	<u>2021</u>
Cash, current accounts, items in transit net of bank indebtedness	\$ 8,350,528	\$ 16,734,122
Net term deposits callable or maturing in three months or less	<u>8,000,000</u>	<u>-</u>
	<u>\$ 16,350,528</u>	<u>\$ 16,734,122</u>

The Credit Union maintains its current accounts with Atlantic Central.

7. Members' loans	<u>2022</u>	<u>2021</u>
Members' loans		
Mortgages	\$ 163,383,135	\$ 79,338,058
Term loans	47,959,593	23,268,019
Lines of credit	<u>27,003,387</u>	<u>19,906,910</u>
	238,346,115	122,512,987
Less allowance for impaired loans	<u>(563,109)</u>	<u>(635,958)</u>
	<u>\$ 237,783,006</u>	<u>\$ 121,877,029</u>
Continuity of allowance for loan losses	<u>2022</u>	<u>2021</u>
Allowance, beginning of year	\$ 635,958	\$ 785,580
Increase from business combination	238,106	-
Recoveries (write-offs)	(315,475)	(242,986)
Provision for loan losses	<u>4,520</u>	<u>93,364</u>
Allowance, end of year	<u>\$ 563,109</u>	<u>\$ 635,958</u>

Atlantic Edge Credit Union Limited

Notes to the Financial Statements

December 31, 2022

7. Members' loans (cont'd.)

The following table reconciles the opening and closing allowance for loan losses. Reconciling items include the following:

- Transfers between stages, which are presumed to occur before any corresponding re-measurement of the allowance.
- Purchases and originations, which reflect the allowance related to assets newly recognized during the period, including those assets that were derecognized following a modification of terms.
- Derecognitions and maturities, which reflect the allowance related to assets derecognized during the period without a credit loss being incurred, including those assets that were derecognized following a modification of terms.
- Remeasurements, which comprise the impact of changes in model inputs or assumptions, including changes in forward looking macroeconomic conditions; partial repayments and additional draws on existing facilities; changes in the measurement following a transfer between stages; and unwinding of the time value discount due to the passage of time.

During the twelve months ended December 31, 2022, there were no significant changes to the models used to estimate expected credit losses.

				<u>2022</u>
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Ending Balance</u>
Balance, beginning of year	\$ 359,573	\$ 14,867	\$ 261,518	\$ 635,958
Increase from business combination	9,985	2,341	225,780	238,106
Remeasurements	(258,487)	(3,642)	(364,301)	(626,430)
Write-offs, net of recoveries	-	-	315,475	315,475
Balance, ending of year	<u>\$ 111,071</u>	<u>\$ 13,566</u>	<u>\$ 438,472</u>	<u>\$ 563,109</u>

There were no changes in stages during the year.

Key assumptions in determining the allowance for impaired loans collective provision

The Credit Union determines the likely impairment loss on loans which have not maintained the loan repayments in accordance with the loan contract, or where there is other evidence of potential impairment such as industrial restructuring, job losses or economic circumstances. In identifying the impairment likely from these events the Credit Union estimates the potential impairment using the loan type, industry, geographical location, type of loan security, the length of time the loans are past due and the historical loss experience. The circumstances may vary for each loan over time, resulting in higher or lower impairment losses. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Credit Union to reduce any difference between loss estimated and actual loss experience.

Atlantic Edge Credit Union Limited

Notes to the Financial Statements

December 31, 2022

7. Members' loans (cont'd.)

An estimate of the collective provision is based on the period of repayments that are past due.

For purposes of the collective provision, loans are classified into separate group with similar risk characteristics, based on the type of product and type of security.

Definition of default and credit impaired

The Credit Union defines a member loan in default and credit impaired when it meets one or more of the following criteria:

- The borrower is more than 90 days past due on its contractual payments
- The borrower meets unlikeliness to pay criteria such as the borrower is deceased, insolvent, in breach of financial covenants, other concessions have been made by the lender, or it is becoming probable that the borrower will enter bankruptcy.

Analysis of individual loans that are impaired, or potentially impaired, based on age of repayments outstanding are as follows:

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	<u>Carrying Value</u>	<u>Allowance</u>	<u>Carrying Value</u>	<u>Allowance</u>
Period of delinquency				
Less than 90 day	\$ 232,440	\$ 13,566	\$ 762,530	\$ 14,867
Over 90 days	<u>3,909,308</u>	<u>438,472</u>	<u>1,312,973</u>	<u>261,518</u>
Total loans in arrears	4,141,748	452,038	2,075,503	276,385
Total loans not in arrears	<u>234,204,367</u>	<u>111,071</u>	<u>120,437,484</u>	<u>359,573</u>
Total loans	<u>\$238,346,115</u>	<u>\$ 563,109</u>	<u>\$122,512,987</u>	<u>\$ 635,958</u>

Terms and conditions

Member loans can have either a variable or fixed rate of interest and they mature within seven years.

Some variable rate loans are based on a "prime rate" formula. The rate is determined by the type of security offered and the member's credit worthiness.

The interest rate on a fixed-rate loan being advanced by December 31 varies with the type of security offered and the member's credit worthiness.

Current mortgages are loans that are secured by residential property and are generally repayable monthly with either blended payments of principal and interest or interest only.

Current loans consist of personal term loans, commercial loans, member overdrafts and lines of credit that are non-real estate secured and, as such, have various repayment terms. Some of the current loans are secured by personal property, equipment, investments, with a general security agreement or conditional sales contracts.

Atlantic Edge Credit Union Limited

Notes to the Financial Statements

December 31, 2022

7. Members' loans (cont'd.)

Business loans consist of terms loans, operating lines of credit, and mortgages to individuals, partnership, and corporations, and have various repayment terms. They are secured by various types of collateral, including mortgages on real property, general security agreements, charges on specific equipment, investments and personal property.

Average yields to maturity

Loans bear interest at both variable and fixed rates with the following average yields at:

	<u>2022</u> <u>Principal</u>	<u>2022</u> <u>Yield</u>	2021 <u>Principal</u>	2021 <u>Yield</u>
Variable rate	\$ 24,459,400	8.55%	\$ 14,705,600	6.09%
Fixed rate	<u>213,886,715</u>	<u>4.41%</u>	<u>107,807,387</u>	3.23%
Total	<u>\$ 238,346,115</u>		<u>\$ 122,512,987</u>	

The Credit Union's prime rate at December 31, 2022 was 6.45% (2021 – 2.45%).

Credit quality of loans

The following table set out information above the credit quality of loans and mortgages measure at amortized cost

	<u>Normal</u> <u>Risk</u> <u>Stage 1</u>	<u>Watch</u> <u>List</u> <u>Stage 2</u>	<u>Credit</u> <u>Impaired</u> <u>Stage 3</u>	<u>2022</u> <u>Total</u>	<u>2021</u> <u>Total</u>
Conventional Mortgages	\$72,393,666	\$174,010	\$3,074,659	\$75,642,335	\$53,050,421
Insured Mortgages	68,761,372	-	-	68,761,372	24,819,369
Business Mortgages	18,893,108	-	-	18,893,108	1,428,994
Syndicated mortgages	-	-	-	-	1,682,441
Personal (secured)	62,831,116	45,686	728,379	63,605,181	23,630,683
Personal (unsecured)	809,065	12,744	106,270	928,079	16,542,433
Business(secured)	10,516,040	-	-	10,516,040	812,481
Business(unsecured)	-	-	-	-	<u>546,165</u>
Subtotal loans advanced	234,204,367	232,440	3,909,308	238,346,115	122,512,987
Unused lines of credit	<u>23,787,456</u>	-	-	<u>23,787,456</u>	<u>13,672,085</u>
Total	257,991,823	232,440	3,909,308	262,133,571	136,185,072
Allowance for doubtful accounts	<u>(111,071)</u>	<u>(13,566)</u>	<u>(438,472)</u>	<u>(563,109)</u>	<u>(635,958)</u>
Total loans and commitments	<u>\$257,880,752</u>	<u>\$218,874</u>	<u>\$3,470,836</u>	<u>\$261,570,462</u>	<u>\$135,549,114</u>

Atlantic Edge Credit Union Limited

Notes to the Financial Statements

December 31, 2022

8. Investments	<u>2022</u>	<u>2021</u>
Term deposits, liquidity and mortgage pools		
Atlantic Central – Mandatory liquidity	\$19,097,989	\$12,376,359
Atlantic Central – term deposits	13,000,000	-
Wyth Financial – term deposits	22,500,000	-
League Savings and Mortgage – term deposits	15,706,031	783,134
Souris Credit Union – Mortgage pool managed by LSM	233,778	-
Accrued interest	593,338	484
Investment in shares		
Atlantic Central - Common shares	3,381,650	1,608,020
Atlantic Central - Class B shares	355,000	163,000
Atlantic Central - Class NL Prov shares	183,000	84,000
Atlantic Central - Class NS Prov shares	18,000	-
League Data Ltd. - Class B preferred shares	95,480	30,300
League Savings and Mortgage - Shares	625,005	351,486
Wyth Financial – Class A preferred shares	250,000	-
Wyth Financial - Membership Shares	10	-
CU Financial Management – Common shares	340,296	170,148
Canadian Credit Union Association - Membership Shares	100	-
	<u>\$76,379,677</u>	<u>\$15,566,931</u>

The Credit Union is required under the Credit Union Regulations, 2009 of the Credit Union Act, 2009 to maintain an amount equal to 6% of the total liabilities as at each month end. Note 11 provides the Credit Union's position in this regard. The mandatory liquidity deposit can be withdrawn only if there is a sufficient reduction in the Credit Union's assets or upon withdrawal of membership from Atlantic Central. At December 31, 2022, the Credit Union held liquidity deposits of \$19,097,989 (2021 - \$12,376,359).

The shares in Atlantic Central are required as a condition of membership and are redeemable upon withdrawal of membership or at the discretion of the Board of Directors of Atlantic Central. In addition, the member Credit Union are subject to additional capital calls at the discretion of the Board of Directors of Atlantic Central.

Atlantic Central common shares are subject to an annual rebalancing mechanism and are issued and redeemable at par value. There is no separately quoted market value for these shares however, fair value is determined to be equivalent to the par value due to the fact transactions occur at par value on a regular and recurring basis.

League Data Ltd. is part of the Credit Union System with League Savings and Mortgage Company (LSM), an Atlantic Central subsidiary. There is no separately quoted market value for these shares and fair value could not be measured reliably. Therefore, they are recorded at cost.

The Credit Union is not intending to dispose of any Atlantic Central or League Data Ltd. shares as the services supplied by these entities are relevant to the day to day activities of the Credit Union. Dividends on these shares are at the discretion of the Board of Directors of Atlantic Central and League Data Ltd.

The Credit union has invested in a specific group of mortgages under administration with League Savings and Mortgage Company consisting of principal and interest on loans less any administration fees and charges.

Atlantic Edge Credit Union Limited Notes to the Financial Statements

December 31, 2022

9. Property and equipment	Land	Right of use asset	Parking Area	Buildings	Computers	Furniture & Equipment	Leasehold Improvements	Total
Cost								
Balance, December 31, 2021	\$ 48,126	\$ 800,260	\$ 64,180	\$ 1,526,605	\$ 548,826	\$ 1,761,032	\$ 1,050,837	\$ 5,799,866
Additions from Business Combination	230,080	-	134,136	1,472,128	37,616	85,889	-	1,959,849
Additions	-	-	-	-	47,413	13,894	-	61,307
Disposals	-	-	-	-	-	-	-	-
Balance, December 31, 2022	<u>\$ 278,206</u>	<u>\$ 800,260</u>	<u>\$ 198,316</u>	<u>\$ 2,998,733</u>	<u>\$ 633,855</u>	<u>\$ 1,860,815</u>	<u>\$ 1,050,837</u>	<u>\$ 7,821,022</u>
Accumulated depreciation								
Balance, December 31, 2021	-	104,998	57,571	661,874	496,185	1,459,469	449,080	3,229,177
Depreciation expense	-	125,776	21,339	151,613	55,313	92,707	49,460	496,208
Disposals	-	-	-	-	-	-	-	-
Balance, December 31, 2022	<u>\$ -</u>	<u>\$ 230,774</u>	<u>\$ 78,910</u>	<u>\$ 813,487</u>	<u>\$ 551,498</u>	<u>\$ 1,552,176</u>	<u>\$ 498,540</u>	<u>\$ 3,725,385</u>
Net book value								
December 31, 2021	48,126	695,262	6,609	864,731	52,641	301,563	601,757	2,570,689
December 31, 2022	<u>\$ 278,206</u>	<u>\$ 569,486</u>	<u>\$ 119,406</u>	<u>\$ 2,185,246</u>	<u>\$ 82,357</u>	<u>\$ 308,639</u>	<u>\$ 552,297</u>	<u>\$ 4,095,637</u>

Atlantic Edge Credit Union Limited

Notes to the Financial Statements

December 31, 2022

10. Members' deposits and equity shares	<u>2022</u>	<u>2021</u>
Members' deposits		
Chequing	\$ 115,639,395	\$ 39,132,576
Savings	105,411,255	47,444,848
Term deposits and accrued interest	83,206,736	26,384,972
RRSP and accrued interest	6,056,236	14,907,982
RRIF and accrued interest	1,060,930	19,794,719
Non- equity share accounts	<u>1,554,323</u>	<u>-</u>
	<u>\$ 312,928,875</u>	<u>\$ 149,665,097</u>
Equity shares	<u>\$ 2,913,565</u>	<u>\$ 1,026,551</u>

Terms and conditions

Chequing deposits are due on demand.

Saving accounts are due on demand and bear interest at various rates up to 1.75%. Interest is calculated daily.

Term deposits bear fixed rates of interest up to 4.9% for terms of up to five years. Interest is paid annually, semi-annually, monthly or upon maturity.

The registered retirement savings plans (RRSP) accounts have fixed or variable interest rates. Fixed rate RRSP's have terms and rates similar to the term deposit accounts described above.

Registered retirement income funds (RRIF) have fixed or variable interest rate products with terms and conditions similar to those of the RRSP's described above. Member may make withdrawals from a RRIF account on a monthly, quarterly, semi-annually or annual basis. The regular withdrawal amounts vary according to individual needs and statutory requirements.

The tax-free savings accounts (TFSA) have a fixed or variable interest rate with terms and conditions similar to those of the RRSP's described above.

Member equity shares consist of 1 share per adult member. The holders of member equity shares have all of the rights and privileges and are subject to the restrictions of a member as provided for in the Credit Union Act and Regulations and in the By-Laws of the Credit Union. Currently there are 14,569 (2021 – 7,731) fully paid equity share accounts. Since membership shares are redeemable on demand, they are presented as a liability on the Credit Union's Statement of Financial Position. Share accounts are not insured by the Credit Union Deposit Guarantee Corporation; however, they do qualify as capital for regulatory purposes, notwithstanding their financial statement classification as liabilities. Dividends and patronage payable of \$392,085 (2021 - \$4,026) were recorded in the Statement of Comprehensive Income. The Credit Union has a policy of classifying unpaid patronage dividends as surplus shares and these surplus shares can only be withdrawn with the approval of the Board of Directors.

Atlantic Edge Credit Union Limited

Notes to the Financial Statements

December 31, 2022

11. Capital/liquidity requirements

Capital Management

The Credit Union is subject to capital requirements set out in the Credit Union Act, 2009, of Newfoundland and Labrador (the Act). The Credit Union is required to hold a capital reserve equal to 5% of total assets consisting of equity shares and retained earnings with the minimum retained earnings requirement being 3% of total assets. Alternatively, a risk weighted assets approach may be used. The Credit Union follows the risk weighted approach. As at December 31, 2022, the Credit Union's risk weighted capital ratio was 15.6%, which exceeded the minimum required of 11.5%. The Credit Union's total capital as a percentage of assets was 6.2%. Therefore, the Credit Union has exceeded its minimum capital requirement as at December 31, 2022.

The Credit Union's objectives when managing capital are to ensure the long term viability of the Credit Union and the security of member deposits by holding a level of capital deemed sufficient to protect against unanticipated losses, and to comply at all times with the capital requirements set out in the Act.

The Credit Union management ensures compliance with capital adequacy through the following: setting policies for capital management, monitoring and reporting; setting policies for related areas such as asset liability management; reporting to the Board of Directors or its committees regarding financial results and capital adequacy; reporting to the Credit Union Deposit Guarantee Corporation ("CUDGC") on its capital adequacy; and setting budgets and reporting variances to those budgets.

Liquidity Management

The Act requires credit unions to maintain investments equal to a minimum of 6% of liabilities for adequate liquidity. Assets held by the Credit Union for such purposes are investments and demand deposits held with Atlantic Central in the amount of \$51,031,854 at December 31, 2022. At December 31, 2022, 6% of liabilities is \$18,901,158 representing an excess in liquidity of \$32,130,697.

12. Other income	<u>2022</u>	(Note 19)
		<u>2021</u>
Service charges and fees	\$ 2,518,934	1,134,529
Commissions and profit sharing	602,002	306,289
Other	<u>477,026</u>	<u>174,444</u>
	<u>\$ 3,597,962</u>	<u>\$ 1,615,262</u>

Atlantic Edge Credit Union Limited

Notes to the Financial Statements

December 31, 2022

13. Related party transactions

The Credit Union entered into the following transactions with key management personnel, directors and close family members, which are defined by IAS 24, "Related Party Disclosures", as those persons having authority and responsibility for planning, direction and controlling the activities of the Credit Union.

At December 31, 2022 loans to directors, committee members, officers, employees, and close family members of the Credit Union amounted to \$3,779,841. All such loans were granted in accordance with normal lending terms. At December 31, 2022 deposits from directors, committee members, officers, employees and close family members of the Credit Union amounted to \$1,674,687.

Meeting allowance fees paid to directors of the Credit Union amounted to \$95,292. At December 31, 2022, loans and deposits of directors amounted to \$931,457 and \$551,987, respectively.

Key management personnel include the Chief Executive Officer and other senior officers of the entity. Total compensation paid to key personnel of the entity was \$572,531. At December 31, 2022 loans and deposits of key management personnel amounted to \$939,385 and \$721,567, respectively.

14. Corporate Social Responsibility (CSR) Reserve

The Credit Union is committed to the implementation of a Cooperative Social Responsibility Policy that supports the way in which it integrates social, environmental and economic concerns into its values, culture, decision making, strategy and operations, establishing better practices within the credit union, and improving the communities in which it operates. Allocations from retained earnings to the CSR reserve are made to fund activities in the next year. The activities and projects are planned, purposeful and targeted.

Retained earnings is comprised of the following:

	<u>2022</u>	<u>2021</u>
Retained earnings from operations	\$17,309,367	\$ 6,907,815
Corporate Social Responsibility Reserve	<u>35,665</u>	<u>38,000</u>
	<u>\$17,345,032</u>	<u>\$ 6,945,815</u>

The activity in the CSR reserve is summarized as follows:

	<u>2022</u>	<u>2021</u>
Opening balance	\$ 38,000	\$ 38,000
Increase from business combination	35,605	-
Funds utilized	<u>(37,940)</u>	<u>-</u>
	<u>\$ 35,665</u>	<u>\$ 38,000</u>

The Credit Union utilized funds of \$37,940 in 2022 and were expensed under other general business expenses in the Statement of Comprehensive Income. The Credit Union has allocated \$35,665 (2021 - \$38,000) from its retained earnings to this reserve to fund activities in the future.

Atlantic Edge Credit Union Limited

Notes to the Financial Statements

December 31, 2022

15. Fair market value of the financial instruments

The following table presents the fair value of financial instruments of the Credit Union based on the valuation methods and assumptions as set out below.

Fair value represents the amount at which a financial instrument could be exchanged in an arm's length transaction between willing parties under no compulsion to act and is best evidenced by a quoted market price, if one exists.

Quoted market prices are not available for a significant portion of the Credit Union's financial instruments. Consequently, the fair values presented are estimates derived using present value or other valuation techniques and may not be indicative of the net realizable value.

The fair values disclosed exclude the values of assets and liabilities that are not considered financial instruments such as land, buildings and equipment.

The Credit Union categories valuation methods used for financial instruments carried at fair value under a hierarchy of valuation techniques based on whether inputs are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Credit Union's market assumptions. These two inputs create the following fair value hierarchy:

- Level 1 – Quoted prices for active markets for identical financial instruments.
- Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar financial instruments in markets that are not active; and model-derived valuation in which all significant inputs are observable in active markets.
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data.

The carrying value of cash and cash equivalents, receivables, payables and members' savings approximate their fair value as they are short term in nature or are receivable on demand.

There have been no transfers during the year.

Investments in credit union related entities such as Atlantic Central, League Data Limited, Wyth Financial and League Savings and Mortgage are measured at cost, less any identified impairment losses at the end of each reporting period. These investments are classified as Level 2 as they do not have a quoted price in an active market and their fair value cannot be reliably measured.

For variable rate loans and deposits the carrying value is also considered to be a reasonable estimate of fair value. For fixed-rate loans and mortgages, and deposits, the fair value is calculated using a discounted cash flow model, based on weighted average interest rates and the term to maturity of the instrument. The discount rates applied were based on the current market rate offered by the average remaining term to maturity.

The calculation of estimated fair values is based on market conditions at a specific point in time and may not be reflective of future fair values.

Atlantic Edge Credit Union Limited

Notes to the Financial Statements

December 31, 2022

15. Fair market value of the financial instruments (cont'd.)

	<u>2022</u>	<u>2022</u>	<u>2021</u>	<u>2021</u>
	Carrying Value	Estimated Fair Market Value	Carrying Value	Estimated Fair Market Value
Assets				
Cash and cash equivalents	\$ 16,350,528	\$ 16,350,528	\$ 16,734,122	\$ 16,734,122
Members' loans	237,783,006	231,238,751	121,877,029	121,738,886
Investments	79,379,677	79,379,677	15,566,931	15,559,005
Accounts receivable	682,142	682,142	63,581	63,581
Liabilities				
Payables and accruals	2,747,772	2,747,772	1,210,846	1,210,846
Dividends and patronage refunds	335,926	335,926	4,027	4,027
Members' deposits and equity	\$315,842,440	\$314,044,656	\$148,691,648	\$148,288,648

16. Interest rate sensitivity

The Credit Union is exposed to interest rate risk because of the mismatch, or gap between the assets, liabilities and off-balance sheet instruments scheduled to re-price on particular dates. Maturity dates substantially coincide with interest adjustment dates. Amounts with floating interest rates, or due on demand, are classified as maturing within one year, regardless of maturity. Amounts that are not interest sensitive are grouped together, regardless of maturity. The table below does not incorporate management's expectation of future events where re-pricing or maturity dates of certain loans and deposits differ significantly from the contractual dates.

Maturity	Assets	Yield	Liabilities	Cost	Assets Liabilities Gap
Variable	\$ 26,345,085	8.2%	\$161,691,053	0.4%	(135,345,968)
3 months	19,205,037	4.4%	8,542,176	1.1%	10,662,861
6 months	19,885,233	3.2%	21,270,554	1.1%	(1,385,321)
9 months	26,002,042	3.3%	7,895,077	1.5%	18,106,965
1 Year	79,330,982	3.6%	18,044,151	3.2%	61,286,831
2 Years	58,186,531	4.0%	10,226,863	2.1%	47,959,668
3 Years	47,169,067	4.3%	8,063,834	2.5%	39,105,233
4 Years	33,807,516	3.6%	1,827,774	1.5%	31,979,742
5 Years	19,095,099	4.6%	6,812,661	3.2%	12,282,438
> 5 years	891,857	4.9%	12,938	1.0%	878,919
	329,918,449		244,387,081		85,531,368
Not interest sensitive	6,722,650		92,254,018		(85,531,368)
	\$336,641,099		\$336,641,099		-

Atlantic Edge Credit Union Limited

Notes to the Financial Statements

December 31, 2022

16. Interest rate sensitivity (cont'd)

The Credit Union uses income simulation modelling to measure exposure to changes in interest rates over short-term periods. Earnings at risk are calculated by forecasting the net interest margin for the next 12-month period using most likely assumptions. The impact of rate shock scenarios are measured against the most likely forecast. The resulting change in the forecast as a result of interest rate shocks is then compared to the most likely forecast to determine the earnings at risk amount. The table below shows the projected change to earnings based on most likely changes in interest rates:

<u>Asset/Liability Management Limits</u>	<u>Projected Change to Earnings</u>
Most Likely Shocked + 300 basis points	\$ 1,222,000
Most Likely Shocked + 200 basis points	815,000
Most Likely Shocked + 100 basis points	407,000
Most Likely Forecast Scenario	Nil
Most Likely Shocked - 100 basis points	(431,000)
Most Likely Shocked - 200 basis points	(898,000)
Most Likely Shocked - 300 basis points	(1,673,000)

17. Expenses	<u>2022</u>	(Note 19) <u>2021</u>
Members' security		
Provision for impaired loans	\$ 3,446	\$ 89,925
CUDGC assessment insurance	464,103	201,198
Insurance	<u>78,929</u>	<u>35,240</u>
	<u>\$ 546,478</u>	<u>\$ 326,363</u>
General business		
Advertising and promotion	\$ 125,842	\$ 117,931
Amortization	148,022	96,613
Assessment dues – Atlantic Central	299,165	178,897
Business taxes	212,639	62,519
Data processing fees	1,836,089	859,026
Office expenses and postage	167,869	73,142
Other	375,295	59,784
Professional fees	189,629	50,436
Service charges	437,890	31,290
Shared services and governance	206,791	142,971
Telephone	117,458	66,105
Training	113,808	49,971
Travel	<u>95,798</u>	<u>13,805</u>
	<u>\$ 4,326,295</u>	<u>\$ 1,802,490</u>

Atlantic Edge Credit Union Limited

Notes to the Financial Statements

December 31, 2022

17. Expenses (cont'd.)

Occupancy

	<u>2022</u>	<u>2021</u>
Land lease	\$ 147,033	\$ 130,889
Depreciation – building	201,072	96,666
Repairs and maintenance	125,195	90,536
Other	126,027	73,082
Property insurance and taxes	131,146	28,901
Utilities	<u>182,474</u>	<u>27,106</u>
	<u>\$ 912,947</u>	<u>\$ 447,180</u>

18. Commitments

Leases

The Credit Union has entered into lease agreements for office space and has recorded an associated lease liability. Future principal lease commitments under the Credit Union's lease agreements for the next five years are as follows:

2023	\$129,399
2024	\$130,614
2025	\$131,843
2026	\$ 92,577
2027	\$ 64,899

Member loans

The Credit Union has the following commitment to its members at the year end on account of unused lines of credit

	<u>2022</u>	<u>2021</u>
Unused lines of credit	<u>\$23,787,455</u>	<u>\$13,672,085</u>

Credit Facilities

The Credit Union has an authorized line of credit with Atlantic Central totalling \$8,559,000 bearing interest at 6.45%, with a \$Nil balance used at December 31, 2022 (2021 - \$Nil). These borrowings are secured by a general assignment of book debt.

19. Comparative figures

Certain of the comparative figures have been reclassified to adopt to the current year presentation.

Corner Brook

709-634-4632

Deer Lake

709-635-5149

Doyles

709-955-2402

Happy Valley - Goose Bay

709-896-4851

Jeffrey's

709-645-2512

L'Anse au Loup

709-927-5522

Mary's Harbour

709-921-6354

Port aux Basques

709-695-7000

Port Saunders

709-861-2263

St. Anthony

709-454-0098

St. George's

709-647-2000

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