

Frontline Financial Credit Union Limited

72nd Annual General Meeting



**April 13, 2021
For the Year Ending 2020**

Online AGM



Frontline Financial Credit Union Limited

72nd Annual General Meeting

April 13th, 2020 at 6:00 pm

Online Zoom Meeting

<https://zoom.us/j/94627823955?pwd=TEJjMWJXWGVJNitrenFOcDlyNE8yUT09>

Meeting ID: 946 2782 3955 - Meeting Passcode: 834687

BUSINESS AGENDA

1. President's Welcome
2. National Anthem and Moment of Silence
3. Minutes of the 71st Annual General Meeting
4. Report of the President
5. Report of the Chief Executive Officer
6. Lending Services Report
7. Report of the Audit Committee
8. Auditor's Report
9. Unfinished Business
10. New Business
 - a. By-laws
 - b. Appointment of Auditors
 - c. Elections to the Board of Directors
 - d. New Business arising from the floor
11. Adjournment

We Remember...

Wayne Brownlee

John Burke

Patrick Dorion

Kenneth Gascon

Alvin Girard

Robert Gorman

Arthur McNamara

David Moffatt

Charles Oxborough

Larry Simser

Robert Smith

Helen Atkinson

Muriel Baird

Florence Beckinsale

Bonnie Burke

Libni Eapen

Lydia Hamilton

Greta Harrison

David King

Siegfried Koch

Louise Lascelles-Bigras

Eric Lugtigheld

Maureen MacLeod

Steven Nichol

Esmie Patterson

Jed Rached

James Raycroft

Marguerite Smith

Dorothy Wilkie

Philip Wood





Frontline Financial Credit Union Limited

Minutes of the 71st Annual General Meeting for the year ending 2019
Held April 6, 2020

By: **Virtual Online Meeting**

Purpose: To conduct the business of Frontline Financial Credit Union with the member/owners and to inform the member/owners of the performance of the Credit Union for the fiscal year 2019.

Board Members Present:

Craig Morrison, Chair
Peter Hunt, Vice-Chair
Brendan White, Corporate Secretary
Kathy Stewart, Audit Chair
Steve Brabazon
Neil Warren
Roger Geoffrion
Joey St. Jacques

Registration of Members 18:00 hrs.

There was a quorum present and the meeting was called to order at 18:10 hrs. by the Chair, Craig Morrison who welcomed the members and invited guests and asked for a moment of silence to remember those members who passed away in 2019.

Craig Morrison referred members to the Minutes of the 70th Annual General Meeting. Hearing no questions, a motion was called to accept the minutes by Lorna Wells, seconded by Debbie McCabe. All in favour – motion carried*.

Craig Morrison introduced the President's Report to the members in attendance. He reported that 2019 was our most successful year ever. It was also a year of transition as Steve Kingan replaced Debbie McCabe as CEO and we moved our computer network to the cloud and launched a virtual private network. This move gives us best-in-class security providing protection of confidential information and, provides protection from hackers and other internet threats. The virtual desktop infrastructure also allows our staff to work remotely. Hearing no questions, a motion was called to accept the report by Debbie Hamilton, seconded by Lorna Wells. All in favour – motion carried*.

Steve Kingan presented the CEO's report. He was pleased to report the impressive growth of the credit union during 2019 and our record-breaking net income of \$567,672, even though we made significant upgrades to our IT network. He also reported on the rejuvenation of our Health Branch which is our one-of-a-kind Advice Center, offering both lending and investment services. Steve introduced our new mission statement: "We Treat You Like You're One in a Million, Not One of a Million". Steve thanked our members for placing their trust and loyalty in the Credit Union.

Hearing no questions, a motion was called to accept the report by Tom Tennian, seconded by Brendan White. All in favour – motion carried*.

Steve Kingan presented the Lending Services report to the members in attendance. Hearing no questions, a motion was called to accept the report by Debbie McCabe, seconded by Jean Pagé. All in favour – motion carried*.

Kathy Stewart, Chair of the Audit Committee presented the report of the Audit Committee. She thanked staff and the Audit Committee Members for their time and commitment during the year. Hearing no questions, a motion was called to accept the report by Debbie Hamilton, seconded by Lisa Tanguay. All in favour – motion carried*.

Stephanie Courneyea, External Auditor from McCay Duff LLP, reported on the Credit Union's Financial Statements for 2019. Stephanie led the members in attendance through the financials and discussed the performance and year-end results. Hearing no questions, a motion was called to accept the report by Steve Brabazon, seconded by Lisa Tanguay. All in favour – motion carried*.

Unfinished business: None to report.

New Business:

1. Appointment of Auditors: Audit Chair, Kathy Stewart recommended that McCay Duff LLP, Chartered Accountants, be appointed as the financial auditors for the Credit Union for the 2020 fiscal year. A motion for acceptance was made by Kathy Stewart, seconded by Lynn Rowsell. All in favour – motion carried.
2. Elections to the Board of Directors: Two of the current Board Members terms were expiring: Peter Hunt and Neil Warren. Nominations were received for both Peter and Neil. As there were two positions available and only two members running, all were acclaimed.

As there was no other business to discuss, Craig Morrison requested a motion for adjournment. Moved by Lisa Tanguay, seconded by Peter Warren. All in favour – motion carried.

70th Annual General Meeting adjourned at 18:31 hours.

Minutes prepared and certified correct by:

Debbie Hamilton
Recording Secretary

*As this meeting was held virtually, we allowed our members who could not attend the meeting to listen to a recording of the AGM and vote by email or fax for a period of time afterwards. All votes were considered and all motions were approved.

President's Report

Welcome to Frontline Credit Union's Annual General Meeting for 2020.

2020 was a tough year. I'd like to start by thanking our senior management team for navigating us throughout this pandemic; our staff for working through this while staying safe and keeping our members safe. Not only did you keep us all safe, you made us feel safe coming to the branch.

Looking back over 2020, Covid-19 proved to be more challenging than we would have ever thought, we experienced historically high savings patterns and some of the lowest interest rates on record. I'm happy to report on behalf of our board that our credit union posted it's third best year ever for net income of just under \$492,000 and asset growth at 18%. We had such a good year that we decided to pay down our entire bill for our Payments Modernization initiative of \$374,000. This is a 7-year project that will keep our credit union moving forward with modernization of our digital footprint for E-transfers, wires, cheques, etc.

I'd like to give special thanks to Debbie Hamilton. We upgraded our IT and Cyber Security in 2019 which helped us get through the pandemic. Steve Kingan will provide you more information in his report.

Last year we also underwent a FSRA Audit. This is the financial services regulatory authority which oversees credit unions in Ontario. We go through this process approximately every 3 years. Thank You Lisa Tanguay, Kathy Stewart and the Audit Committee for completion of another successful audit.

Our board of directors had a busy 2020, with board training, self-assessments, strategic plan, policy reviews and rewrites.

This year we have entered into an asset purchase agreement with the Ottawa Police Credit Union. Although this is not technically a merger, we look forward to welcoming their members to our main branch and maintaining full operations at the police branch. This is subject to regulatory approval and we anticipate a closure date of the end of June.

Thank you everyone for all your great work and making the future look bright at our Frontline Credit Union.

Craig Morrison
President

March 30, 2021

Report of the Chief Executive Officer

This year, due to COVID, we're coming to you virtually through Zoom from our boardroom at our main branch located at 365 Richmond Rd., Ottawa.

Last year I addressed you for our fiscal 2019 as our best year on record. At that time last year, Covid had just really started, the stock market was correcting, everyone was on lockdown, the streets were like a ghost town; and we were all just starting to learn and quantify the effects of COVID as a disruptor to our lives. (Honestly, I was actually dreading back then what this report was going to end up looking like.) As I step back and review the year I can't help but think about one of the guiding principles my father gave me, "When you're faced with adversity, understand it, learn from it, and then overcome it". I believe we followed that guidance and it gives me great pleasure to share with you my CEO Report for fiscal 2020. From it you'll see that COVID has proven to be a managed risk for our business and nothing close to what we originally envisioned.

The first chapter of the COVID story was back in April/May/June. We stand proud knowing that we were able to immediately do (simple fast and easy) what our competitors couldn't by granting credit extensions due to job interruptions for those members who needed it and we provided advise to all those members who called for it. Although we still stand in the midst of this disruptor, I think we all have a much better idea of how to go about our lives and businesses despite it. I thank our lucky stars that we made the decision we did back in 2019 to upgrade all of our IT. This lent itself nicely as we were able to pivot the business at a moment's notice as COVID's evolution unfolded into the second chapter. We were able to engage half of our team to immediately work remotely, and three more times due to lockdowns throughout 2020. I'm proud to advise you that we did not lose a single day of productivity nor service for our members throughout all of 2020. This in itself covered the costs incurred for the upgrade three-fold. Furthermore, it ended up being a cost savings to our Credit Union knowing IT pricing immediately spiked once the pandemic hit in 2020. More importantly, we were able to operate our business with the safety of our employees and members at the forefront of all that we did. Worthy of note, our upgrade also allowed us to tighten up the IT security of our system so that neither our Credit Union nor our members fell victim to the increased IT threats seen by other institutions throughout the pandemic. Throughout the second half of 2020, we pretty much operated as usual aside from the Stay-At-Home order by the province at Christmas. Please know that we continue to hold pretty high restrictions in line with our Public Health's Guidance at our main branch and our Health Branch remains closed for the interim for obvious reasons.

Our IT vision continued into 2020 as we paid upfront for our Credit Union's prorated costs for Payments Canada's Payment Modernization initiative which is underway and will continue for the next 7 years. This was a significant cost but we believe it to be crucial to our Credit Union's sustainability as we keep pace with IT innovation for our members. (Keep in mind that Credit Unions were the first financial institutions to implement Remote Deposit Capture so I'm excited to see what the program can innovate for the future.

After accounting for the aforementioned, I am proud to report that 2020 represents our third best year in our credit union's history for net income, coming in at just under \$492,000. This is only about \$75,000 less than 2019 which was our best year ever! Turning our attention to our growth, we managed to grow the business from \$121 Million to just under \$143 Million which represents a rate of 18%, plus our off-balance sheet stands at another \$48 Million. Again, another testimonial for us! When you step back and think about what a sound business model truly is and how it can operate in a harsh environment like a pandemic, I believe the proof is in the pudding that our business model has stood the test of tests. That being said, success isn't just driven by income and growth, it's defined by and conditional upon adherence to compliance within our industry. I am thrilled to report that we were given an adequate rating by our regulator for the examination they completed mid-year, a near perfect rating for our wealth review with the MFDA, and satisfactory reviews by our both our Internal and External Auditors.

Looking at what we did for our community, I couldn't be prouder of the dozen or so sponsorships we supported throughout the year despite the pandemic. I am especially proud of the partnership we launched with our partners for the Salvation Army and Toy Mountain. The program was at the mercy of the pandemic in October, we synergized our efforts with our partners and the campaign ended well beyond anyone's expectations. A special and huge Thank You for ROFFA, you folks are simply amazing!

Drawing towards our people, they are the backbone of our operation. I'm pleased to report that we have improved our staff bonus structure to reward them based on productivity; and we have booked a team event at the end of the year (pending COVID of course) to recognize them. We also implemented a dual pronged approach to their work schedule by implementing a 4-day work week. This has allowed them to maintain a better work/life balance while improving productivity overall; and it also allowed us to provide longer hours of operation for our member's convenience at no cost to the Credit Union.

When you operate a business in the midst of one of the biggest disruptors in history, the strength of the business is worn on its sleeve by the decisions that are made. I am blessed to have our COO Debbie Hamilton and our CFO Lisa Tanguay leading the charge and the decisions they've made throughout this pandemic are examples to be followed by colleague credit unions. I am also blessed to have an amazing team, from the front counter to the back office, from the lenders to the wealth advisors, we've got the best team in the business to service our members.

As Craig mentioned, we have entered into an asset purchase agreement with the Ottawa Police Credit Union. The transaction is scheduled to be completed at the end of June and is subject to our regulator's approval. Should the regulator recommend a special meeting and a vote, we will advise you accordingly. This initiative is beneficial to building our sustainability and supports our brand. It increases our size by 1200+ members and approximately \$22 Million in assets. I whole heartedly believe that their membership will benefit from what we offer our existing members and the opportunity to broaden those relationships is mammoth.



whole family financial services

My two asks of our membership for 2021 is simple. 1) Have faith that we have the expertise, the pricing, and the products in place to refer your family and friends. I promise you will get a positive feedback from the referred party of an awesome experience. As our mission states, we'll treat you like 1 in a million not 1 of a million. 2) If you have investments outside of our Credit Union that have not performed as you expected for 2020, please consider having one of our investment advisors do a second opinion for you. It is inexcusable for a properly diversified portfolio to not perform as it should have when impacted with a turbulent economy.

For fiscal 2021, the word nimble will be our buzz word for the year. Our revenues have been adversely impacted by 50% because of the Government's pandemic response that has called for low interest rates. The pandemic is far from over and the landscape remains foggy at best. We will continue to navigate this storm like we did in 2020 by keeping everyone safe, the business operational for our members, and adhering to operational prudence.

Lastly, I am excited to report to you that we have launched our new website! A huge shout out to Dani Ropars who has been working on it for the past 9 months under Debbie Hamilton's leadership. The address is the same but the look & feel is purposely different. It is designed it to avoid those common website "journeys" that are cumbersome and frustrating. It's modern, it's new, it has the community/family feeling, and most importantly it's easy to use. Later on, in 2021, we'll be turning our attention towards our Mobile App and our Online Banking.

Stay safe everyone and know we continue to have your back with whatever you need during these uncertain times.

Steve Kingan
CEO Frontline Financial Credit Union



Lending Services Report

2020 started out as a normal year in the lending department, but as we all learned, things changed very quickly. COVID-19 brought many challenges to so many people and we were happy to be able to help out wherever we could. We offered loan and mortgage deferrals for up to six months and we processed over 100 requests for those that were affected financially.

We also offered loans to our business members who needed relief from mandated reduced operations, and/or having to be closed during lockdown. These loans were granted under the Federal Government's CEBA program, the Canadian Emergency Business Account, and provided up to \$40,000 in interest-free funding. One of the benefits of the program is the forgiveness of \$10,000 if the loan is repaid in full by Dec. 31, 2022.

During 2020 we received 295 loan requests for a total of \$43,912,571. Of these requests, 269 loans were disbursed for a total of \$41,538,256, and 26 loans, including commercial loans, were declined for a total of \$2,374,315. Our Concentra Financial book of business held 36 mortgages for a total of \$8,323,179.

At Dec. 31, 2020 there were 9 loans that were delinquent greater than 90 days for a total of \$117,672.

Loan Disbursements for 2020:

Purpose	Number	Amount
<u>Firefighters' Branch</u>		
New Loans	68	\$ 1,656,892
New Lines of Credit	38	\$ 798,200
New Mortgages	91	\$ 32,525,834
Bridge Loans	11	\$ 1,086,319
Collateral Loans	9	\$ 392,785
New Commercial Loans	<u>10</u>	<u>\$ 2,609,000</u>
Total	<u>227</u>	<u>\$39,069,030</u>
<u>Health Branch</u>		
New Loans	23	\$ 369,468
New Lines of Credit	3	\$ 11,800
New Mortgages	<u>6</u>	<u>\$ 1,918,000</u>
Total	<u>32</u>	<u>\$ 2,299,268</u>
<u>Hydro Branch</u>		
New Loans	9	\$ 159,958
New Lines of Credit	1	\$ 10,000
New Mortgages	<u>0</u>	<u>\$ 0</u>
Total	<u>10</u>	<u>\$ 169,958</u>
Credit Union Total	<u>269</u>	<u>\$ 41,538,256</u>

I'd like to take this opportunity to thank our staff for their dedication throughout 2020 and I'd also like to thank our members for trusting us with your borrowing needs.

Debbie Hamilton
Chief Operating Officer



REPORT OF THE AUDIT COMMITTEE TO THE 2021 AGM

The mandate of the Audit Committee is to be a liaison between the Credit Union's Management, Board of Directors, Internal and External Auditors.

Generally, the role of the Audit Committee encompasses four critical oversight responsibilities;

- Review of financial reporting;
- Risk management and controls;
- Audit activities; and
- Compliance activities.

Together with senior management, internal and external auditors, the Audit Committee provides oversight that fosters an environment where:

- Risks are assessed and adequately mitigated;
- Reporting is accurate, timely and relevant;
- Assets and member interests are safeguarded;
- Positive ethics are upheld; and
- Compliance is assured.

For the Audit Committee to ensure that these responsibilities are effectively completed, it should:

- Exercise sound unbiased judgement and decision making;
- Have appropriate qualifications and competencies individually and collectively;
- Be supported by competent, robust and independent risk management and control functions;
- Follow good governance practices for its own work as a committee; and
- Seek third party advice on certain matters, where appropriate.

The Audit Committee met six times since last year's annual meeting. The Audit Chair (and occasionally other Audit Committee members) had five meetings with our Third-Party Internal Auditor and two meetings with the External Auditors. The purposes of the meetings were:

- To review The AML Shop - Operational Self-Assessment
- To review results of Disaster Recovery testing
- To review the reports on staff testing of internal controls
- To review the reports of all third-party internal audits
- To review Enterprise Risk Management quarterly reports
- To review and respond to Financial Services Regulatory Authority of Ontario's examination report
- To review the 2020 fiscal year end Auditor's Report and findings
- To review management's responses to the various audit findings

- To review various policies throughout the year and make recommendations to the Board
- To make recommendations to the Board on various audits and external auditor for 2021
- To develop the audit plans for 2021

Members of the Audit Committee continue to be invited to participate in the Asset Liability Management Committee and Enterprise Risk Management meetings of Senior Management and Picuz, our third-party consultant.

Jimena Martinez, our third-party internal auditor, carried out field work six times during the year to perform risked-based internal audit functions. Her work was very thorough with various recommendations that have been implemented by Management and the Board.

McCay Duff LLP, our external auditors, carried out field work twice during the year to perform audit functions with no recommendations having been made.

The Committee reviewed the reports on the Operational Internal Controls Review performed, throughout the year, by Lisa Tanguay, Chief Financial Officer and Gina Ranger, Accounting Administrator.

The Committee has no matters that require reporting or disclosure to our members pursuant to the Act or the Regulations and I confirm that the Committee is conducting its activities in accordance with the Act and Regulations.

The Committee would like to thank the Senior Management team of Steve Kingan, Debbie Hamilton and Lisa Tanguay for their dedication to their jobs and the assistance provided to all of the auditors and the Audit Committee during the year. Frontline has developed a very cohesive audit group that has the best interests of the members.

We would also like to thank all the staff for their professional service provided to our members.

I would like to thank Peter Hunt, Brendan White and Neil Warren for their time and commitment during the past year on the Audit Committee.

This report submitted, March 8, 2021 on behalf of the Audit Committee by:



Kathy Stewart, Audit Committee Chair

Frontline Financial Credit Union

Balance Sheet As at December 31, 2020

	2020	2019
Assets		
Cash	\$ 11,334,961	\$ 2,359,189
Investments	9,182,166	8,031,146
Income taxes recoverable	27,819	607
Member loans	121,749,228	110,023,955
Property, plant and equipment	197,516	235,549
Prepaid expenses	294,758	104,226
	\$ 142,786,448	\$ 120,754,672
Liabilities		
Accounts payable	\$ 552,566	\$ 279,790
Member deposits	132,792,583	111,528,158
	133,345,149	111,807,948
Member's Equity		
Members' shares	346,250	343,555
Retained Earnings	9,095,049	8,603,169
	9,441,299	8,946,724
	\$ 142,786,448	\$ 120,754,672

By-Law Amendments for approval at our AGM April 13th 2021

FIRST CHANGE: Membership

2.01 Membership in the Credit Union shall be limited to:

(a) ~~Persons, who, if individuals, whether minors or adults, are employed by, or volunteer for, any fire, rescue, emergency or essential service, or the administrative or support function of such a service, in the Province of Ontario, or who reside or are otherwise employed in the Province of Ontario;~~

Replace with:

(a) Any person who, if he or she is an individual, whether a minor or an adult, resides or is employed in Ontario;

SECOND CHANGE: Directors

4.02 (d) ~~has then served as a director of the Credit Union for not more than ten~~

~~(10) consecutive three-year (3-year) terms since that person's first election to the Board at or after the annual general meeting of the Credit Union held April 9, 2010;~~

Replaced with:

(d) has then served as a director of the Credit Union for not more than five (5) consecutive three-year (3-year) terms since that person's first election of the Board at or after the annual general meeting of the Credit Union held in April, 2021 ;

THIRD CHANGE: Committees – Audit Committee

Audit Committee Appointment

(b) ~~The audit committee shall elect a Chair, and meetings of the audit committee shall be at the call of the Chair of the audit committee, the Credit Union's auditor or a director, provided that the audit committee shall meet at least quarterly.~~

Replaced with:

(b) The Board shall elect a Chair of the Audit Committee, and meetings of the Audit Committee shall be at the call of the Chair of the Audit Committee, the Credit Union's auditor or a director, provided that the Audit Committee shall meet at least quarterly.

FOURTH CHANGE: Officers – Chair of the Board

6.02 The Chair of the Board shall be a director who has not, at the time of election or appointment, served as Chair of the Credit Union for longer than three (3) consecutive one year (1-year) terms since the Board reorganizational meeting following the Credit Union's annual general meeting held April 9, 2010, and shall, when present, preside at all meetings of the Board ~~and committees of the Board other than the Audit Committee.~~ The Chair of the Board shall be vested with and may exercise such powers and shall perform such other duties as may from time to time be assigned to him or her by the Board. During the absence or disability or refusal to act of the Chair of the Board, his or her duties shall be performed and his or her powers exercised by the Vice-Chair.

FIFTH CHANGE: Directors

4.01 Number of Directors and Quorum:

1. ~~Number~~ The Board shall consist of eight (8) directors.

Replaced with:

1. Number -The Board shall consist of nine (9) directors.



whole family financial services

Our Vision

***We make you feel like you're one in a million,
not one of a million.***

Our Mission

***We deliver a real alternative for a better banking
experience to our members and their families through every age
& stage of their lives.***



BOARD OF DIRECTORS:

TERM EXPIRES

Craig Morrison – Chair	2021
Peter Hunt – Vice Chair	2023
Neil Warren – Corporate Secretary	2023
Kathy Stewart – Audit Chair	2021
Steve Brabazon	2022
Roger Geoffrion	2022
Joey St. Jacques	2021
Brendan White	2022

STAFF

Steve Kingan	Chief Executive Officer
Debbie Hamilton	Chief Operating Officer
Lisa Tanguay	Chief Financial Officer
Jean Pagé	Wealth Manager
Lynn Rowsell	Financial Services Officer
Lorna Wells	Member Service Officer
Colleen McKinnon	Member Service Officer
Laura Liddy	Member Service Advisor
Erik Onno	Member Service Advisor
Gayle Keeler	Member Service Supervisor
Danielle Ropars	Member Service Representative
Iain Reid	Member Service Representative
Hannah Collins	Member Service Representative
Jennifer Kreiger	Receptionist/Administrative Assistant
Chelsea Bellmore	Lending Administrator
Gina Ranger	Accounting Administrator
Lori-Ann Stoparczyk	Chief Anti-Money Laundering Officer