

# ANNUAL REPORT

# 2022



**Saskatoon  
City Employees**  
Credit Union



**Saskatchewan  
Credit Unions**

[saskcu.com](http://saskcu.com)

## **Meeting Agenda**

**76<sup>th</sup> Annual Meeting of the  
Saskatoon City Employees Credit Union  
March 21, 2023 – 7:30 PM  
Committee Room E, City Hall**

1. Call to order and Welcome
2. Registration and Declaration of Quorum
3. Adoption of Agenda
4. Reading and approval of previous year's annual meeting minutes
5. Business arising out of minutes
6. Board of Directors/Board Chair's Report
7. Deposit Guarantee Corporation Annual Report 2022
8. Management Discussion and Analysis Report
9. Management's Responsibility
10. Auditors Report and Presentation of Financial Statements
11. Adoption of reports
12. Appointment of auditors for 2023
13. Election of Directors
14. New and Other Business
  - Motion to Approve Bylaw Amendments
  - Boyd Johnson Memorial Scholarship Awards Presentation
  - Long Service Award
  - Other New Business
  - Door Prizes
15. Adjournment

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# **75<sup>th</sup> Annual General Meeting of the Saskatoon City Employees Credit Union March 22, 2022**

## **1.0 Call to Order & Welcome: Time: 7:30 PM**

### **2.0 Registration & Declaration of Quorum:**

Minimum of 15 members required.

Quorum is declared.

As Board Chair, I am declaring that Marian Voth, Chair of the Nominating Committee, is appointed as the Returning Officer for the election of Board Directors.

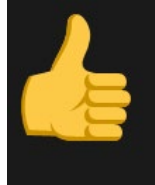
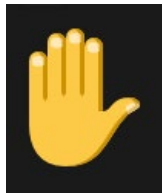
### **2.1 Short tutorial on participating in the meeting.**

#### **Practice Motion:**

By show of hands:

“That we will be able to safely attend the SCECU Annual General Meeting In-Person next year.”

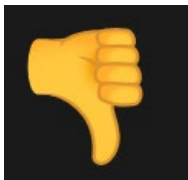
Agree: or



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“That we will be able to safely attend the SCECU Annual General Meeting In-Person next year.”

Disagree: or



Verbal (by Unmute mic: Disagree)

**Same Practice**

**Motion**

By Polling:

### **3.0 Adoption of Agenda:**

Moved by: Steven Hartmann Seconded by: Les Smith

“To adopt the agenda as presented.”

By “Show of Hands”.

Carried.



#### **4.0 Reading and Approval of Minutes of the Previous Annual General Meeting:**

- are listed on SCECU website.

However, a correction is required:

Under **13.0 Election of Directors**

Original motion:

Moved by: Marian Voth Seconded by: Romuald Lagace

“That Jan-Mark Gustafson, Stan Macala & Richard Woodvine be declared elected to the Board.”

Carried.

Moved by: Marian Voth , Seconded by: Bill Davern .

That the motion be amended to read:

“That Stan Macala & Richard Woodvine be declared elected to the Board for a three-year term and that Jan-Mark Gustafson be declared elected for a one-year term.”

By polling:

Carried.

Moved by: Bill Davern Seconded by: Romuald Lagace

“That the minutes of the previous AGM meeting held on March 23rd, 2021 be approved as amended.”

By “Show of Hands”

Carried.

#### **5.0 Business Arising Out of the Minutes:**

None

#### **6.0 Board of Directors/Board Chair’s Report:**

Moved by: Gail Gillard, Seconded by: Richard Woodvine.

“That the Report of the Board Chair be received.”

By “Show of Hands”

Carried.

## **7.0 Deposit Guarantee Corporation Annual Report for 2021**

Posted on their website: [www.cudgc.sk.ca](http://www.cudgc.sk.ca)

## **8.0 Management Discussion and Analysis Report 2021:**

Moved by: Bill Davern Seconded by: Les Smith

“That the Management Discussion and Analysis Report be received.”

By “Show of Hands”

Carried.

## **9.0 Management’s Responsibility:**

To the Members:

Saskatoon City Employees Credit Union Management has responsibility for preparing the accompanying financial statements and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and making objective judgements and estimates in accordance with International Financial Reporting Standards. In discharging its responsibilities for the integrity and fairness of the financial statements and for the accounting systems from which they are derived, management maintains the necessary system of internal controls designed to provide assurance that transactions are authorized, assets are safeguarded and proper records are maintained. Ultimate responsibility for financial statements to members lies with the Board of Directors. An Audit and Risk Committee of Directors is appointed by the Board to review financial statements in detail with management and to report to the Board of Directors prior to their approval of the financial statements for publication. Independent auditors appointed by the members audit the financial statements and meet separately with both the Audit and Risk Committee and management to review their findings. The independent auditors report directly to the members and their report follows. The independent auditors have full and free access to the Audit and Risk Committee to discuss their audit and their findings as to the integrity of the Credit Union's financial reporting and the adequacy of the system of internal controls.

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Dennis Lozinsky, General Manager

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Jan-Mark Gustafson, Chair of Audit and Risk Committee

## **10.0 Auditor’s Report and Presentation of Financial Statements:**

- presented by Brian Heinrichs CPA, CA

Partner, Virtus Group

### **11.0 Adoption of Reports:**

Moved by: Gail Gillard Seconded by: Steven Hartmann

“That the audited financial statements for 2021 be accepted.”

By polling:

Carried.

Complete audited financial statements are available

upon request by any member of the credit union.

Please contact the office at (306) 975-3280.

### **12.0 Appointment of Auditors for 2022:**

Moved by: Marian Voth Seconded by: Michelle Lane

“That the audit firm of Virtus Group LLP be appointed as the independent Financial Auditor for 2022.”

By polling:

Carried.

### **13.0 The Election of Directors:**

Report from the Chair of the Nominating Committee – Marian Voth.

Marian Voth, as the appointed Returning Officer, declares that Alyson Edwards-Price, Martin Irwin, and Allen Beck are elected to the Board of Directors by acclamation for 3 year terms.

### **14.0 New and Other Business:**

- Scholarship Presentation
- Response.
- Long Service Awards
- Other New Business

### **15.0 Adjournment:**

Motion:

Moved by: Stan Macala Seconded by: Romuald Lagace

“That the Annual General Meeting for 2021 be adjourned.”

Carried.

**Time: 8:56**

## THE BOARD CHAIR'S REPORT

### FINANCIAL HIGHLIGHTS

In many ways, 2022 was a very challenging year for your Credit Union; however, a positive financial outcome was still achieved despite several changes in interest rates, rising inflation, conflicting financial predictions, ongoing Covid fallout, shifting in member spending and loan activity, fluctuations in investment opportunities, and appalling world events impacting everything.

**Net Income** - After tax and patronage disbursements, earnings for the year were \$1,207,762. These higher-than-normal earnings were the result of normal operations plus the recording of your credit union's share of dividends (\$958,027) from the sale of Concentra. Retained earnings, needed to meet the Credit Union's regulatory requirements for capital and liquidity, increased from \$6.25M to \$7.46M at the end of the fiscal year.

**Patronage Allocation** – From the 2022 normal operations earnings of \$347,902 (before recording the patronage distribution and taxes), and with the expectation of a promising year ahead, the Board approved a patronage allocation of \$75,000 to be distributed in 2023.

**Membership** – The credit union experienced a net decrease in memberships in 2022 from 2,155 to 2,115 primarily due to the closure of dormant accounts, deceased members, or accounts no longer being needed.

### STRATEGIC DIRECTION

**Unique Entity** - The SCECU is unique in that it serves a niche market of current and former City employees and their families. A top priority continues to be that our members enjoy the benefits of high quality, personalized service. It is this emphasis that sets your credit union apart from other financial institutions.

**Technological Advances** - Your credit union continues to subscribe to technological advances as they become cost effective for its membership. Examples of newer advances include a periodically updated Facebook page and enhanced digital member banking.

**Partnerships** – Your credit union continues to partner with other credit unions to reduce costs and to increase revenues. Beneficial partnerships include the investment in participation loans that yield a higher interest rate, while having an acceptable level of risk, and the referral of members to New Community Credit Union for those who wish to invest in financial markets.

**Increasing Membership** - The overall goal is not only to increase memberships but also the number of services and products our current members use with our credit union to establish a greater share of their financial needs. However, the credit union recognizes that to achieve long term sustainability, attracting new members continues to be a high priority. Your credit union has employed numerous marketing tools to achieve this goal including ongoing website improvements, use of the credit union's logo with promotional items, enhanced member communication.

In addition to regular, ongoing efforts to promote memberships, your credit union staff delivered a family barbecue event as well as participating in the City's annual pancake breakfast.

- The 75<sup>th</sup> Anniversary Celebration – Management and staff did a wonderful job of celebrating the credit union's 75<sup>th</sup> anniversary. In addition to preparing colourful posters, obtaining promotional items marketing our brand, and enhancing our website, the staff planned, organized, and executed a family barbecue, including a tour of the Forestry Farm Zoo. All staff, members, and their families, were invited. The weather was beautiful and the turnout great. From the feedback provided by everyone who attended, the celebration was a huge success.
- The City's Pancake Breakfast - The Board approved the donation of free breakfasts to those in need and a sign to that effect was created and put up at the site. All Board Directors who were able to volunteer helped to serve breakfast to the partakers.

## THE CREDIT UNION SYSTEM

As independent financial institutions owned and controlled by their members, credit unions are shaped by community needs. Saskatchewan credit unions range in asset size from \$40.85 million to more than \$7.2 billion.

Nationally - At the national level, the Canadian Credit Union Association continues to take on a greater role in supporting credit unions and the credit union system. This association also lobbies on behalf of Credit Unions to ensure that their interests are considered in any federal legislation or regulations.

Provincially - At the provincial level, credit union centrals, including SaskCentral, are re-organizing to provide support and services on a national scale. SaskCentral, regulated by the Credit Union Deposit Guarantee Corporation (CUDGC), continues to shift its support and services to other agencies including the Canadian Credit Union Association.

In Saskatchewan, - In 2022, three more credit unions have amalgamated. Currently, there are 33 credit unions left in Saskatchewan with SCECU being 26<sup>th</sup> in size on the list. More credit unions will likely need to amalgamate in the future to ensure that their members continue to have access to all the financial services they expect in a cost-effective manner.

Sale of Concentra Bank - Equitable Bank obtained regulatory approval to purchase SaskCentral's 84% interest in Concentra Bank (in addition to the 16% interest held by other shareholders). The purchase was completed in 2022 requiring the recording of the dividends in 2022; however, the actual distribution of dividends will not occur until 2023.

Ongoing efforts continue to be made by credit unions, both at the national and provincial levels, to fully utilize resources, control costs, and improve services so as to effectively and efficiently maintain market share as they compete with the big banks.

## BOARD ACTIVITIES

**Governance** - The Board continues to utilize the Carver Model of Board Governance. Under this model, the Board prescribes the Ends (outcomes for members) and proscribes the Executive Limitations (conditions to be avoided). The General Manager is charged with the responsibility and authority to achieve the desired outcomes while avoiding the unacceptable means. The result is a balance between benefits to members and acceptable levels of risk.

**Board Charities** - Every year, the Board chooses to donate to a charity that makes significant differences to people in the community. In 2022, the Board chose to donate \$1,000 to the Prairie Hospice Society as well as \$1,000 to the Saskatoon Food Bank.

- The Prairie Hospice Society provides compassionate, non-medical client and family-centered care to end-of-life clients in the comfort of their own homes. It receives no government funding and depends on donations and dedicated volunteers to fulfill its mission.
- Saskatoon Food Bank and Learning Centre are committed to ensuring a food secure community where all people have access to safe, affordable, and nutritious food. They also believe it is important to address the underlying issues contributing to hunger and poverty in the community. In their Learning Centre, they operate various learning, self-help, and life skills programs in a family oriented, empowering, and self-directed environment.

**The Boyd Johnson Memorial Scholarship** - In September, the Board finalized its review of the criteria used to award scholarships - credit union members only, family members of staff?

- In 2022, there were 7 applications for The Boyd Johnson Memorial Scholarship.
- The Board approved one scholarship of \$1,000 to Gracelyn Deutscher and a second scholarship of \$1,000 to Kelly Unrau. Both recipients have achieved amazing scholastic and volunteer accomplishments over the past year.
- On behalf of the Board, I would like to congratulate both recipients on this notable achievement.

**Credit Union Bylaws** – During 2022, the Board undertook a review of its bylaws to ensure compliance with the current Saskatchewan Credit Union Act and Credit Union Regulations. Our Bylaws determine how the credit union carries on its business while reflecting the best practices of other credit unions in the province.

As the Act and Regulations were recently updated to permit remote meetings and electronic voting, our review determined that our Bylaws were deficient in this area and should be updated to facilitate maximizing accessibility for members to vote. There were significant challenges to this process as there are numerous caveats associated with electronic voting. The proposed changes to our Bylaws will bring our credit union into compliance with the current Act and Regulations. The changes will allow remote or hybrid AGM meetings in the future, with full voting rights.

Regulations now also mandate the timing of Board member nominations and elections. In the future, Board elections will take place prior to the AGM, with electronic and in branch voting options available to our members.

In December, the Board approved submission of the draft amended Bylaws to the Financial and Consumer Affairs Authority of Saskatchewan for preapproval.

*Note that the Board felt that this year's Annual General Meeting needed to be held In-Person to avoid possible conflicts with the Credit Union's current bylaws, the Credit Union Act, and the Credit Union Act regulations as they relate to electronic voting. The proposed amendments to the bylaws will resolve these issues for future AGMs.*

**Annual External Audit Review** - The Audit Review Committee approved the credit union's audited statements for 2022 prepared by the Virtus Group LLP. The auditors indicated that our credit union has complied, in all significant respects, with the provisions of the legislative and related authorities pertaining to financial reporting and disclosure requirements, safeguarding of assets, spending, revenue raising, borrowing, and investing activities as specified under the Credit Union Act, 1998. The auditors commended the credit union's management and staff on their excellent operational performance, particularly given all the challenges of the past year.

**Annual Internal Audit Review** - In the fall, the Board received its annual report from the Internal Auditors. Overall, the report was positive with a few minor shortfalls in the employment of best practices and the recommended action plans to address them. Management and the Board have discussed and addressed the stated deficiencies and are in the process of following up on the recommendations with a completion date of mid-2023.

**Enterprise Risk Management (ERM) Review** - The Board undertook a review of its role in Enterprise Risk Management. Points of interest included Board competency, market share, information technology, cyber-crime, compliance, and numerous other considerations. The General Manager provides quarterly ERM updates to the Board and annual updates to the risk management plan. CUDGC also distributes a quarterly, comprehensive ERM report.

## BOARD DEVELOPMENT

Annually, the Board benefits from a review of The Carver Model of Governance including how the utilization of this model impacts how the credit union conducts its business. Also annually, every Board Director is required to complete two on-line courses provided through CUSource.

1. The Credit Union Privacy Act (PIPEDA). The learning objective for the Board is to understand how privacy laws in Canada govern the collection, use and disclosure of personal information and how these laws impact the credit union's business including information security policies, operational standards, and reporting of privacy breaches.
2. Anti Money Laundering and Terrorist Financing (AML/CTF). The main learning objectives were to understand the role of FINTRAC and the role of all credit unions in fighting money laundering and terrorist financing. Topics included best practices to mitigate the various types of risk, ensuring that up-to-date policies and adequate control processes are in place to guide compliance under Canadian law, understanding what constitutes non-compliance and possible penalties, reporting requirements under FINTRAC, and ensuring staff are adequately trained including annual refresher courses. Senior Management and the Board receive quarterly AML reports from the credit union's Compliance Consultant.

On behalf of the Board, I would like to thank our General Manager, Dennis Lozinsky, Assistant Manager, Graeme Bittner, and our employees for their continued commitment and exceptional customer service that makes Saskatoon City Employees Credit Union the financial institution of choice for our members. Finally, I would like to thank our members for their continued support of our Credit Union. Together, we can look forward to another prosperous year ahead.

Respectfully yours,

Marian Voth, Board Chair



**Saskatoon City Employees Credit Union**  
**BOARD GOVERNANCE POLICY**  
**Approved by the Board: June, 2014**

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**ENDS POLICY**

**MEMBER FINANCIAL WELL BEING**

**1.0     SAVING**

- 1.1     Members earn interest at competitive rates on money deposited in guaranteed accounts and/or investments;
- 1.2     Members can purchase non-guaranteed investments.

**2.0     BORROWING**

- 2.1     Members can borrow money at competitive rates subject to an acceptable credit record and sufficient collateral.

**3.0     TRANSACTIONS**

- 3.1     Members can initiate common financial transactions 24 hours a day - 7 days a week.
- 3.2     Transaction fees are competitive within the Saskatoon market place.

**4.0     PERSONALIZED SERVICE**

- 4.1     Members feel welcome, appreciated and respected by Saskatoon City Employees Credit Union staff.
- 4.2     Members receive effective service in a timely manner.

**5.0     SAFEKEEPING**

- 5.1     Members can store valuables in a deposit box subject to size and availability at the Saskatoon City Employees Credit Union for safekeeping.

**6.0     FINANCIAL KNOWLEDGE**

- 6.1     Members have access to sound financial information and advice

**7.0     EQUITY/DIVIDENDS**

- 7.1     Members receive their share of profits in the form of equity and patronage dividends.

**8.0     INSURANCE**

- 8.1     Members can purchase life and disability insurance for loans.



## CREDIT UNION DEPOSIT GUARANTEE CORPORATION ANNUAL REPORT MESSAGE 2022

**January 2023**

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Credit Union Deposit Guarantee Corporation (the Corporation) is the deposit guarantor for Saskatchewan credit unions. The Corporation is also the primary regulator for credit unions and Credit Union Central of Saskatchewan (SaskCentral). Together, these entities are considered Provincially Regulated Financial Institutions or "PRFIs". The Corporation is mandated through provincial legislation, *The Credit Union Act, 1998* and *The Credit Union Central of Saskatchewan Act, 2016* in performing its duties. Provincial legislation also assigns responsibility for oversight of the Corporation to the Registrar of Credit Unions at the Financial and Consumer Affairs Authority of Saskatchewan.

The Corporation was the first deposit guarantor in Canada and has successfully guaranteed deposits since it was established in 1953. By promoting responsible governance and prudent management of capital, liquidity and guaranteeing deposits, the Corporation contributes to confidence in Saskatchewan PRFIs.

For more information about the Corporation's responsibilities and its role in promoting the strength and stability of Saskatchewan PRFIs, consult the Corporation's web site at [www.cudgc.sk.ca](http://www.cudgc.sk.ca).

## Quick Facts

**(as of December 31, 2022, unless otherwise indicated)**

- As of January 1, 2023, there are 33 credit unions in Saskatchewan serving 197 communities through 224 service outlets.
- Credit unions offer financial products and services to more than 497,000 members.
- Saskatchewan credit union assets reached \$28.6 billion with revenue of more than \$1.43 billion.
- Credit union lending amounts were more than \$21 billion.
- There are 317 board members who are locally elected by members of each credit union to provide strategic direction to their management teams.
- As independent financial institutions owned and controlled by their members, credit unions are shaped by community needs. Saskatchewan credit unions range in asset size from \$40.85 million to more than \$7.2 billion.
- In 2022, Saskatchewan credit unions returned over \$18.86 million to their members in the form of patronage equity contribution and dividends.
- Credit unions are a major contributor to Saskatchewan's economy, employing over 3,400 people.
- Funds held on deposit in Saskatchewan credit unions are fully guaranteed through the Credit Union Deposit Guarantee Corporation. The full guarantee is made possible through a comprehensive deposit protection regime that is focused on prevention. Read more about the [guarantee](#).

## Vision Statement

Building on member's needs, cooperative ideals, partnerships, and sound financial principles, we provide comprehensive personalized financial services, in an ethical and prudent manner. We commit to the financial wellness of our growing and participative community of members.

## Mission Statement

The Saskatoon City Employees Credit Union exists to provide quality financial services to its members.

## Values

- Open and Voluntary memberships
- Democratic control
- Non-discriminatory
- Service to members towards increasing economic and social well-being
- Distribution towards members
- Build financial stability
- Ongoing education
- Cooperation amongst co-operatives
- Social responsibility

## Credit Union Market Code

Saskatoon City Employees Credit Union voluntarily adheres to the Credit Union Market Code. This code was jointly developed in 2006 by Saskatchewan Credit Unions, SaskCentral (in consultation with FCAA) and Credit Union Deposit Guarantee Corporation and last revised in 2021/22. The Market Code objectives are identification of market practice standards and consumer protection. The code sets forth guidelines for the following six themes and includes low fee or basic account:

- **Fair Sales** "information that focuses on the differences between preferential pricing and coercive tied selling, risk management and discrimination. The purpose of fair sales is to make sure the credit union's actions and decisions regarding member advice, information and recommendations made by the credit union are objective and reflective of the financial needs and the roles and responsibilities of the member and the credit union."
- **Transparency and Disclosure** "information that focuses on account opening and notice requirements. The credit union must be open and honest in its dealings with existing and potential members."
- **Professional Standards** "for Employees (employee licensing, training, and accreditation where applicable). The purpose of this objective is to have well-trained and well-informed employees who can provide financial information and advice members can trust."

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- **Complaint handling** “(Problem Resolution). The purpose of complaint handling is to provide a process for the resolution of complaints that arise from the provision of financial services to members.”
- **Protection of Vulnerable Members** “(identifying, communicating with, and endeavoring to mitigate harm to Vulnerable Members, and providing them with targeted financial advice, strategies, and support).”
- **Access to Banking Services** (including **Low fee accounts**). “The Account Opening Documentation and Process defines the relationship as a self-managed relationship where the member is provided with relevant product and service information to enable him/her to make informed decisions. The credit union’s obligation is to provide information.

Credit unions will take reasonable measures to ensure access to a basic banking account consistent with the approach mandated by the Financial Consumer Agency of Canada (FCAC) for federally regulated financial institutions. The intent is to offer a basic banking account that will accommodate all persons. A low fee account is an option for individuals who conduct limited monthly transactions, or who would otherwise not have a bank account because of the higher costs associated with other types of accounts.”

## ***Co-operative Principles***

As a true co-operative financial institution, Saskatoon City Employees Credit Union acts in accordance with internationally recognized principles of co-operation:

### *Voluntary and Open Membership*

Co-operatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.

### *Democratic Member Control*

Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and Co-operatives at other levels are also organized in a democratic manner.

### *Member Economic Participation*

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is typically the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all the following purposes: developing their co-operative, setting up reserves (part of

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which at least would be indivisible; and benefit members in proportion to their transactions with the co-operative), and supporting other activities approved by the membership.

#### *Autonomy and Independence*

Co-operatives are autonomous, self-help organizations controlled by their members. If co-operatives enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

#### *Education, Training, and Information*

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

#### *Co-operation among Co-operatives*

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

#### *Concern for Community*

Co-operatives work for the sustainable development of their communities through policies approved by their members.

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## Management Discussion and Analysis

### *Introduction*

Saskatoon City Employees Credit Union (SCECU) is an independent closed-bond Saskatchewan Credit Union owned by our members. Our Credit Union was officially incorporated on July 7<sup>th</sup>, 1947. Under the current credit union legislation and bylaws Saskatoon City Employees Credit Union can provide financial services to members and non-members. As of December 31, 2022, Saskatoon City Employees Credit Union had 2115 members and 15 non-members. Non-members do not participate in the democratic processes of the credit union nor the patronage program.

Our credit union serves the City of Saskatoon's employees, superannuates and their families through a single branch located in City Hall. We provide a full range of traditional retail banking services and products such as personal and business deposit account products, registered investments (RRSP, RRIF, TFSA, RESP) ancillary financial services including US \$ chequing accounts, member debit cards, safety deposit boxes, internet banking including e-transfer, mobile apps with deposit anywhere capabilities and Lock'N' Block features, domestic and international wire transfers, foreign currency exchange, consumer and business loans, lines of credit, creditor insurance products, Mastercard credit cards including a US\$ credit card, on-line brokerage services with Qtrade Investor and access to mutual fund sales.

Throughout 2022 we acknowledged and celebrated our milestone of 75 years serving you. We celebrated by having monthly prize draws for members and accentuated the celebration with a barbeque at the Forestry Farm Park and Zoo and provided those in attendance a family zoo pass. We had approximately 200 members and family register for the event with 115 in attendance. Visit our website and Facebook page for information on our celebration events.

### *Strategy*

The vision of Saskatoon City Employees Credit Union is to be the leading provider of comprehensive financial services for the employees, superannuates of the city of Saskatoon and their families. To monitor specific objectives throughout the year that support this vision, the board has developed Ends Policy that establish, measure, and monitor our progress toward achieving our goals. Our strategy can be divided into four categories; a) Financial Performance and Risk Management; b) Members and Growth; c) Internal Business Process, and d) People Performance and Development.

Our key strategic objectives remain relevant in 2022 as we complete our four-year strategic plan. These strategies are to; a) pursue the optimization of revenues, control expenses and growth of risk-weighted assets, b) ensure we have a robust marketing strategy targeted at current and future members, increase our visibility and relevance to City employees, develop a proactive member centric sale culture; c) ensure our branch footprint increases our relevance, develop an Information Technology (IT) strategy, and explore opportunities to collaborate with system partners; and d) ensure our employees have the training and professional development opportunities to serve our members with confidence.

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The results of our activities in 2022 are: a) our net earnings remained stable not including the one-time dividend payment from the sale of Concentra Bank. Without this dividend payment we would not have achieved our target ROA (Return on Assets) of 0.35% as our after-tax ROA is 0.32%. With the Concentra Bank sale dividend of \$958,027 we surpassed our target, achieving an ROA of 1.54% and surpassed our efficiency ratio target of less than 80% as we finished year end with an efficiency ratio of 57.14%; our loan portfolio increased, while our assets, member deposits, and investments decreased. Although, our pre-dividend 2022 net earnings were slightly less than 2021 earnings, the board, was able to declare a dividend of \$75,000; b) for our marketing strategy we were able to increase our visibility with our 75<sup>th</sup> Anniversary promotions increasing exposure of our logo and aligned communications to present a consistent image; and dialogue continued with the City of Saskatoon Internal Communications Specialist. Our service delivery channels were improved with security features for members as we wait on Credit Union partners to deliver contracted enhancements; c) Regular reviews of our processes are undertaken to ensure quality member service building member's trust, confidence, and satisfaction. We also reviewed with Celero our IT situation including the safeguarding and protection of our members. Our effective processes are confirmed by our audit reports; and lastly, d) we continue to provide training opportunities for staff and management, although in 2022 training was limited to online learnings and webinars, to enhance our competencies and to keep pace with the increasing complexities of the financial industry.

## **Key Performance Results**

The success of the Saskatoon City Employees Credit Union is measured by its financial management and performance (asset, loan, and deposit growth), credit management including credit risk exposure, capital and profitability management, and liquidity management.

Our Credit Union's audited financial statements are attached to and form a part of this report. The following results analysis uses the externally prepared audited financial statements provided by Virtus Group LLP as of December 31, 2022.

### **Financial Performance:**

#### **Balance Sheet Analysis:**

Our assets decreased year-over-year by (2.67%) or (\$2.14M) to end 2022 at \$78.3M from \$80.4M in 2021. This compares to the 2021 asset growth of 12.93% or \$9.2M and 2020 increase in assets of \$5.99M or 9.19%.

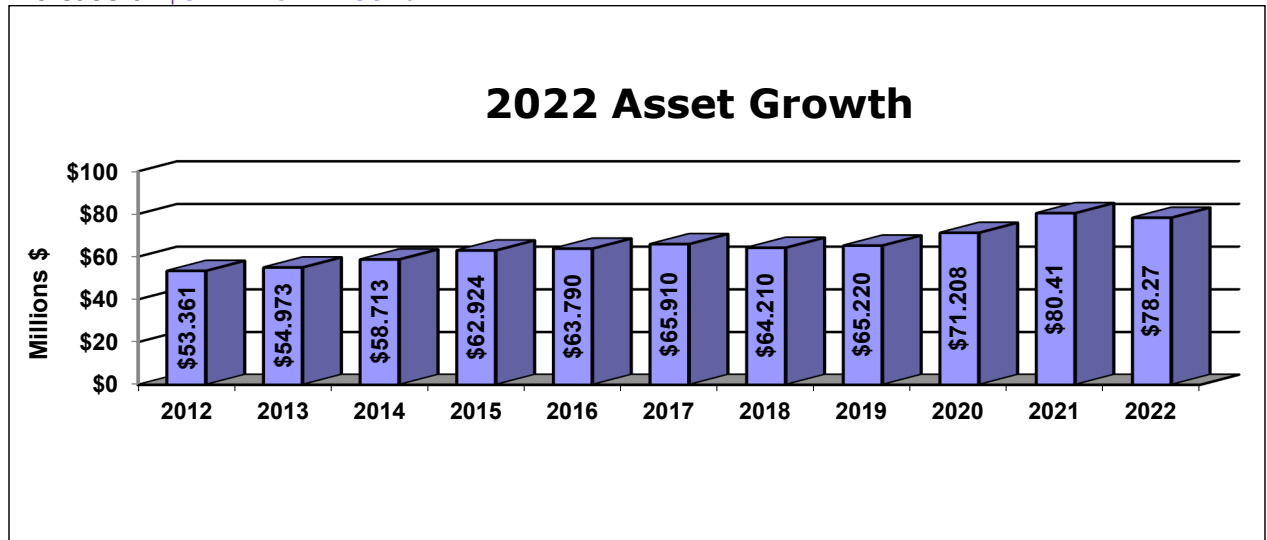
A year over year comparison shows our loan portfolio increased in 2022 by 2.41% or \$1.22M to end the year at \$52.2M. This compares to 2021's decrease of (2.91%) or (\$1.53M) and 2020's loan decrease of (\$2.39M) or (4.35%).

Our investments had decreased year over year by (\$435K) or (2.25%). In 2021 investments increased by \$9.7M or 101%, while 2020, we saw an increase in investments of \$2.05M or 27.08%. Our cash holdings decreased from 2021 to 2022 by (\$3.9M) or (38.94%) with cash deposits totalling \$6.14M.

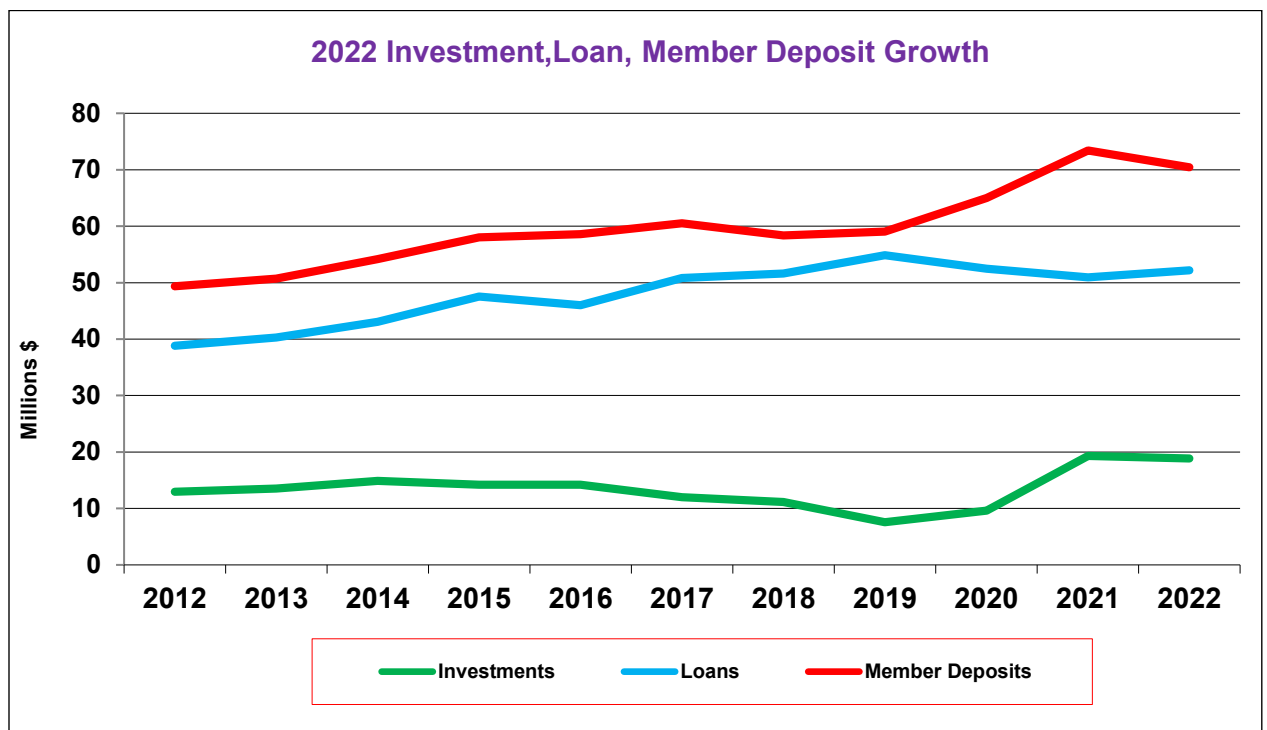
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Member deposits decreased year-over-year by a rate of (4.01%) or (\$2.94M) to \$70.5M as of December 31, 2022. This compares with 2021 results which saw a year over year increase of \$8.44M or 12.99%.



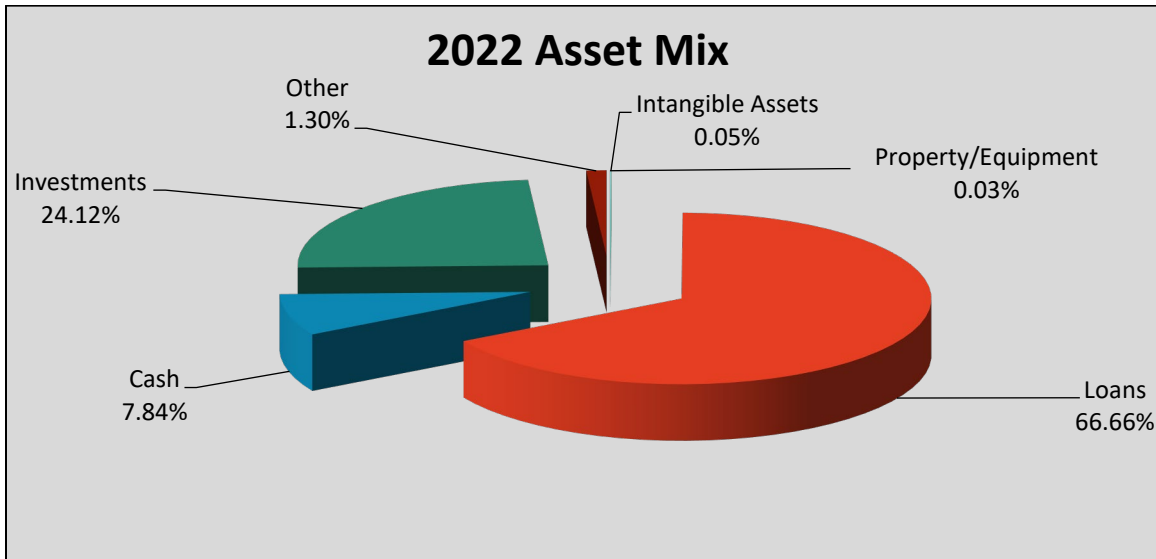
Member deposits fund member loan demand with the residual monies placed in investments. Should loan growth exceed deposit growth then the Credit Union will use investments to fund loan requests. The following chart illustrates the results in relational balance sheet items.



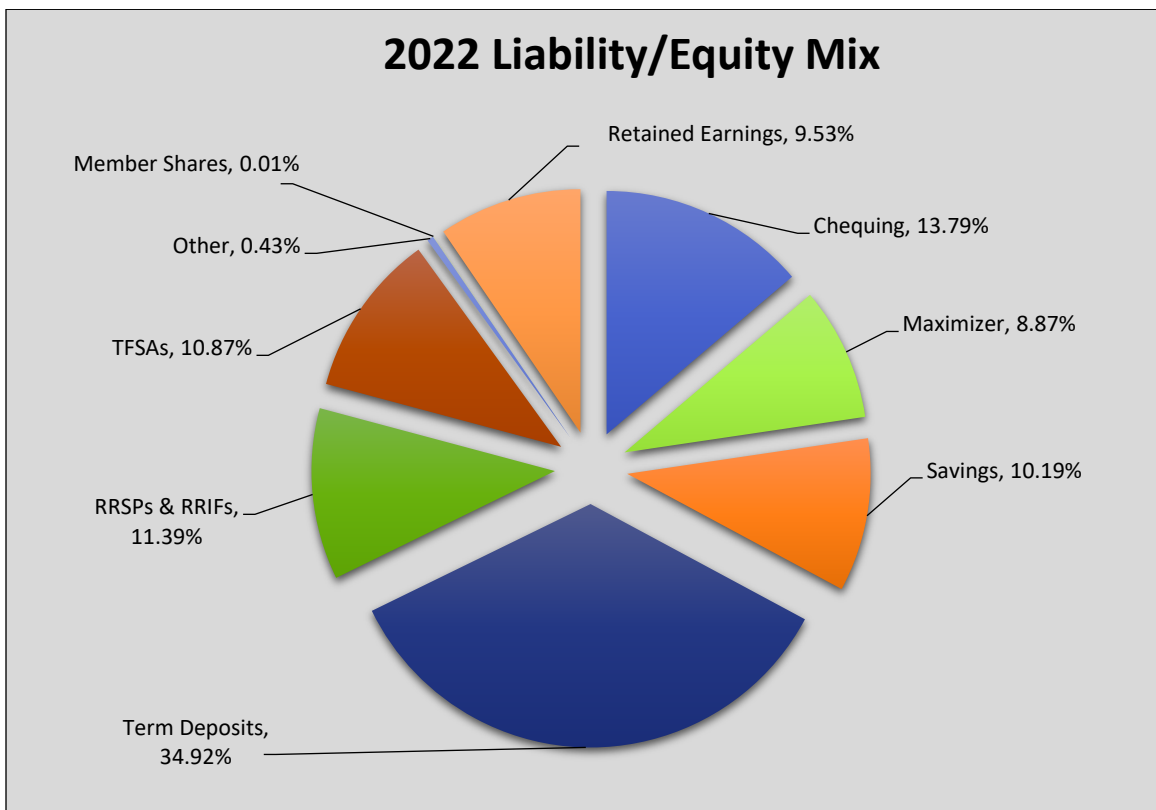
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Below is an illustration of our asset composition as of December 31, 2022. Management and board target mix would see loans at 80%, cash holdings at 3-5% and investments at 12-15% where 95% of assets are generating revenues.



The chart below illustrates the composition of our liability and equity as of December 31, 2022.



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## Credit Management:

Credit risk is the risk of loss arising from a borrower or counterparty's inability to meet its obligations. As all our investments are held with SaskCentral or Concentra Bank our primary risk is associated with loans. As of December 31, 2022, we had a total loss exposure, which are all loans 90 days or more delinquent, of **two (2)** loans for a total of **\$5,459 or 0.01%** of our total loans. This compares to **December 31, 2021**, of four loans for **0.03% or \$14,119**. The 2022 average for the Saskatchewan Credit Union system is **0.59%**.

In compliance with IFRS 9 reporting which specifies how an entity should classify and measure financial assets, financial liabilities, and some contracts to buy or sell non-financial items. The analysis performed on our loan assets looks at the composition of our loan portfolio, our historical loan loss experience, the loan loss experience of the provincial Credit Union system and the current and future economic forecast. The objective is to use this information to estimate what the future or expected credit losses may be for our Credit Union and thus to ensure we have made adequate provisions to cover such a loss. Our analysis determined we should have an accumulated loan loss provision of **\$203,400**. As of December 31, 2022, we hold \$199,861 in loan loss provisions and in 2023 works towards a loan loss provision of \$203,400. Our impaired loan loss provision, for expected credit loss for **2022 is \$5,459 or 0.01%**. We also had a loan loss recovery of **\$20,000 or 0.04%** of our total loans for a net gain of **\$14,541**. This compares to 2021's loan loss expense of \$39,911 or 0.08% with an expected loan loss provision of \$20,000 or .04%. In **2022**, 2020, and 2019 we wrote off zero (0) loans for \$0.00. In **2021** we wrote off **three** loans for **\$15,911**, a sign of the tougher economic conditions in 2021 for our members.

## Loan Portfolio Mix:

A combination of the increase in our loans and the decrease in our assets and deposits resulted in our loan to asset ratio for 2022 to increase to **66.66% (63.36%-2021; 73.69%-2020;84.12%-2019)** of our assets. As this ratio is an indicator of our liquidity risk our regulator monitors this ratio. The target loan to asset ratio is 80.0%. Our loan demand improved and resulted in an increase in our loan portfolio of **2.41% or \$1.23M**, compared to a decrease in **2021 of (2.91%)**. Our loan portfolio is predominantly consumer credit representing as of December 31, 2022, 79.75%, (78.68% for December 31, 2021), of our total loan portfolio. Personal mortgages comprise 86.98% of the consumer loan portfolio compared to 82.25% the prior year. Our consumer mortgages represent 69.371% (2021-64.71%) of our **total loan** portfolio. Consumer mortgages present a lower risk to the Credit Union and directly correlates to our strong risk weighted capital ratio.

Our board's risk appetite loan portfolio mix is as follows:

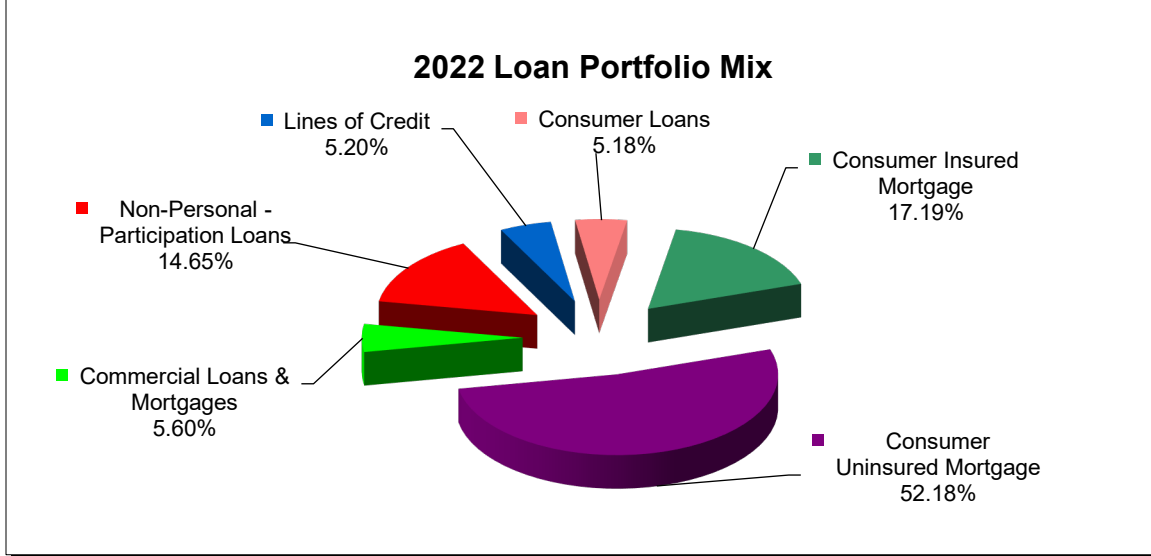
Consumer	50% - 95%;	Commercial	0% - 25%;	Agriculture	0% -10%;
Participation	0% - 25%;	Leases	0% - 30%.		

The proposed risk appetite provides management with options to diversify the loan portfolio to optimize our current capital and pursue potentially higher earnings.

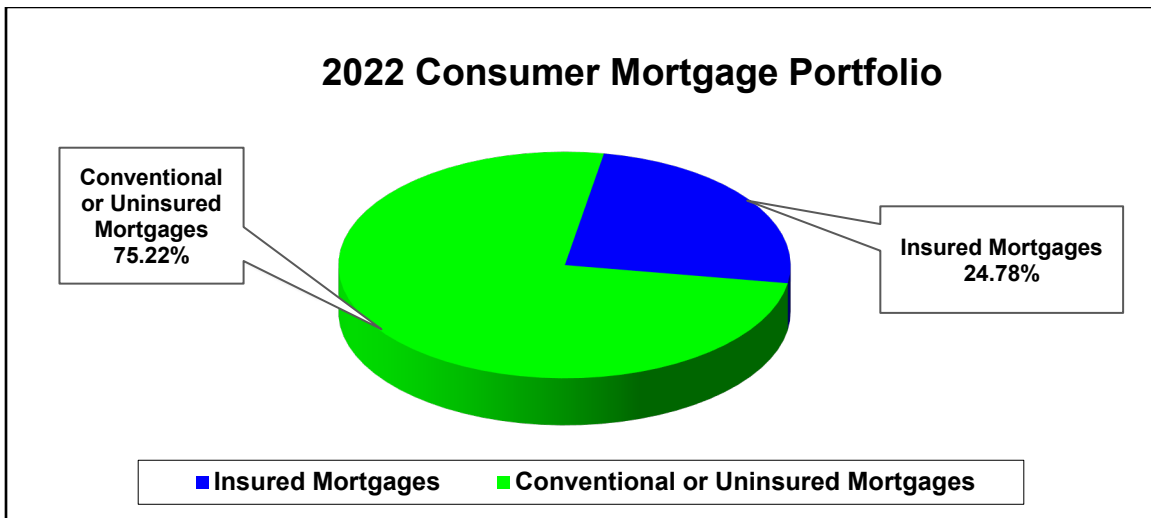
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Our loan portfolio mix is illustrated in the chart below as of December 31, 2022.



An insured mortgage is a mortgage on a principal residence in which the mortgage debt is insured for default by Canada Mortgage Housing Corporation (CMHC) or an approved private insurance provider for mortgages with less than a 20% down payment but with a minimum down payment of 5%. The insurer provides a guarantee of repayment to the lender for full repayment of the mortgage. Currently, our insured portfolio is underwritten by CMHC. A conventional or uninsured mortgage requires a minimum down payment of 20% or where the loan to value ratio is less than 80%. Our mortgage portfolio is very stable as our lending policies and practices are compliant with the Standards of Sound Business Practice, are stress tested, and all underwriting requirements. Our lending staff routinely stress test and properly qualify our mortgagors to ensure affordability for our members and a strong mortgage portfolio for the Credit Union. Our residential mortgage portfolio of \$36,242,222 includes principal and accrued interest and is comprised of \$8,957,806 or 24.78% insured mortgages and 75.22% or \$27,284,416 of uninsured (conventional) mortgages.



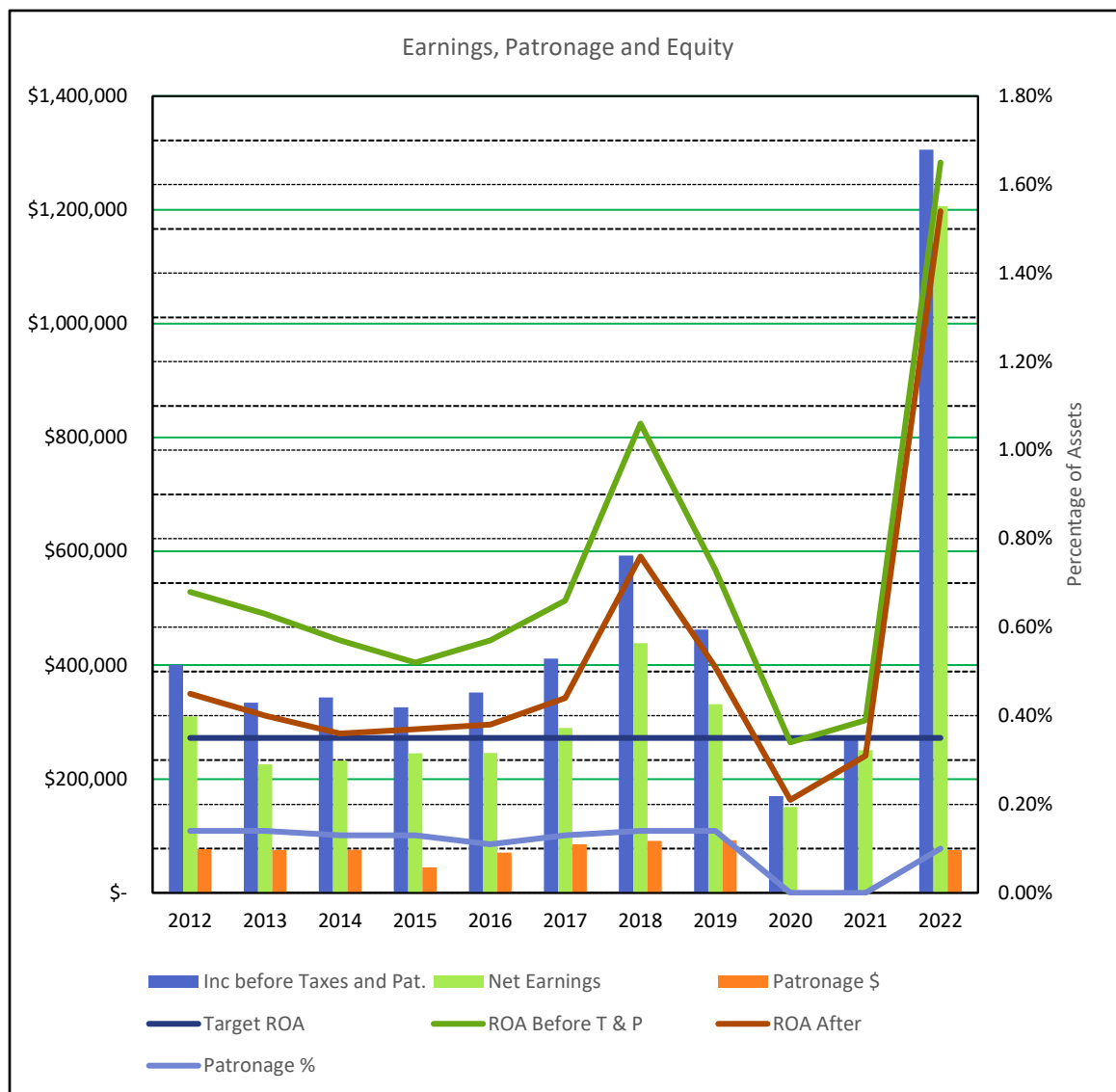
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## Capital and Profitability Management

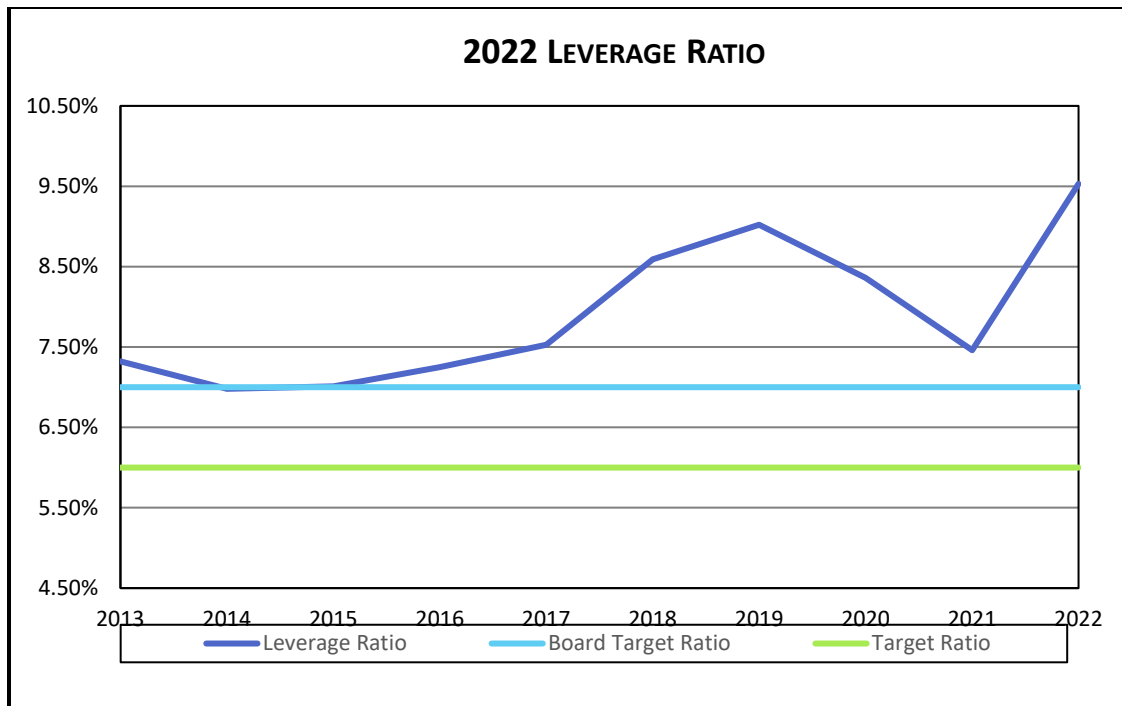
### Return on Assets (ROA):

Profitability is another indicator of the Credit Union performance measured by the return on assets. For our purposes we measure the net income generated compared to the assets of our credit union. Prior to the Concentra sale dividend of \$958,027 our ROA "after tax" from normal operations, as of December 31, 2022, is 32 basis points, "before patronage and tax allocation" our ROA is 44 basis points. Our ROA after accounting for the Concentra dividend "after tax" is 154 basis points and 165 basis points "before patronage and tax allocation". This compares to the system ROA "after tax" of 154 basis points and the ROA "before patronage and tax allocation" of 160 basis points. Our ROA as of December 31, 2021 was 31 basis points (21 basis points - 2020). Ideally a ROA would be between 55 and 75 basis points. Your board has set a ROA target of 35 to 50 basis points.



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Our 2022 net annual earnings of **\$1,206,762** far exceeds prior year's net earnings. In fact, the average net earnings for the previous 10 years are \$272,015. The explosion in earnings is a result of receiving an extraordinary, one-time dividend income of \$958,027 as our share of the sale of Concentra Bank. Our earnings also included \$18,296 of benefits from the Canada Emergency Rent Subsidy (CERS), Canada Emergency Wage Subsidy (CEWS), and the Canada Recovery Hiring Program (CRHP).

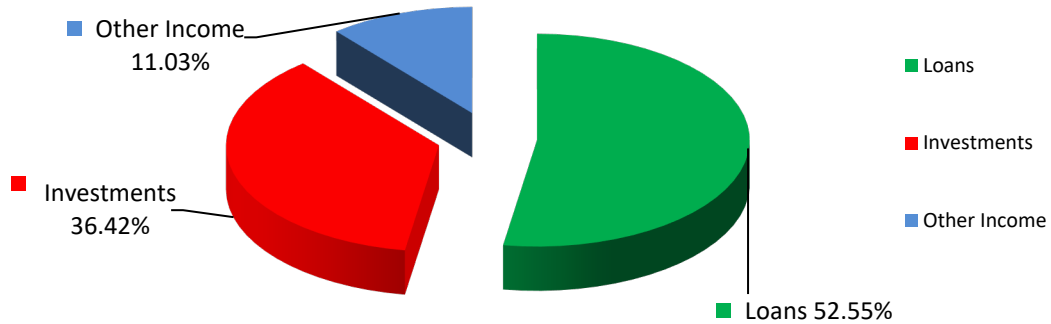
Revenue composition includes loan interest, investment, and non-interest income. Our loan and investment revenues decreased while non-interest income increased. Our year over year comparison reveals loan revenues increased by **6.23%** as a result of higher interest rates and a larger portfolio. Our investment income increased by **782.7%** as we were able taking advantage of timely investment renewals and achieved higher investments yields as a result. Our non-interest income decreased by **(13.56%)** partially due to of lesser the government subsidies and lesser service charge revenues. Fortunately, our revenues were sufficient to meet regulatory expectations of growth, development, safety, and financial soundness. Therefore, the board was able to declare a patronage refund of \$75,000 without putting the Credit Union at unnecessary risk. We are still able to maintain our leverage ratio above the 7.0% minimum at 9.5% and achieve an ROA after tax of 154 basis points.

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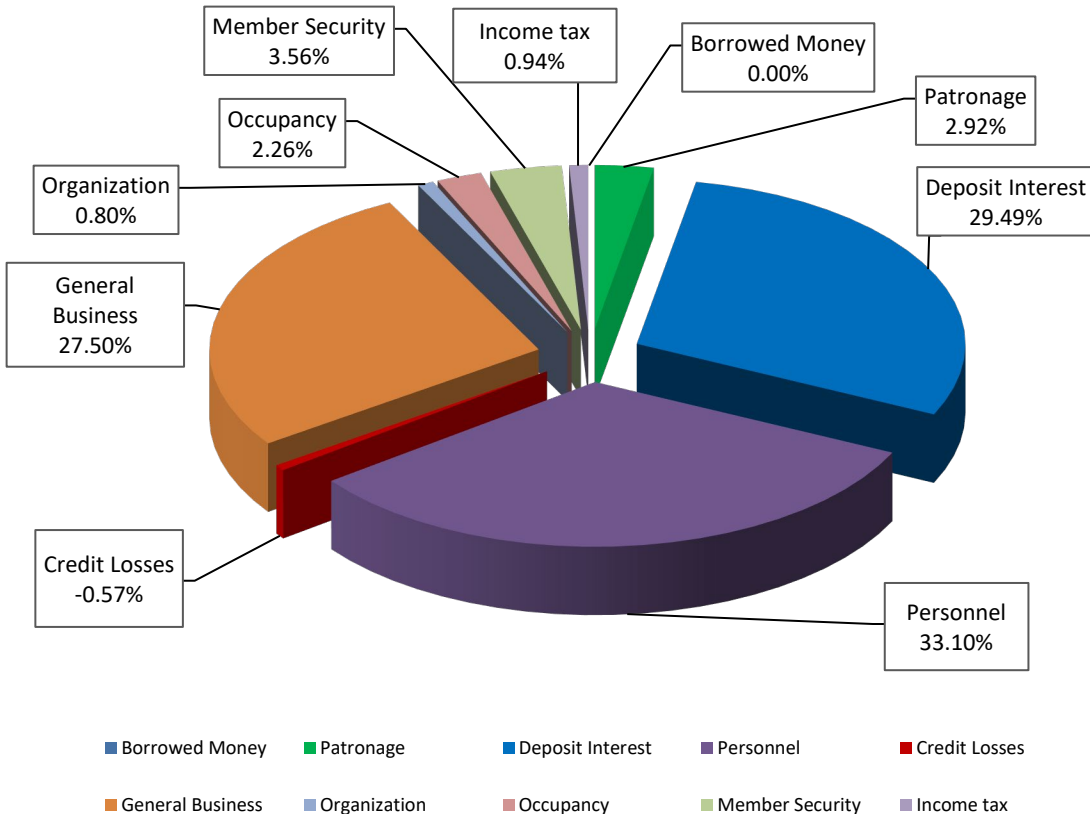


## 2022 Revenue Composition



Our expenses are comprised of member deposit interest, interest on borrowed money, patronage, credit losses, operating expenses (general business, occupancy, organizational, personnel and member security) and taxes. Our member deposit interest expense increased due to higher interest rates despite a significant decrease in member deposits. The chart below illustrates our expense breakdown.

## 2022 Expenses Composition

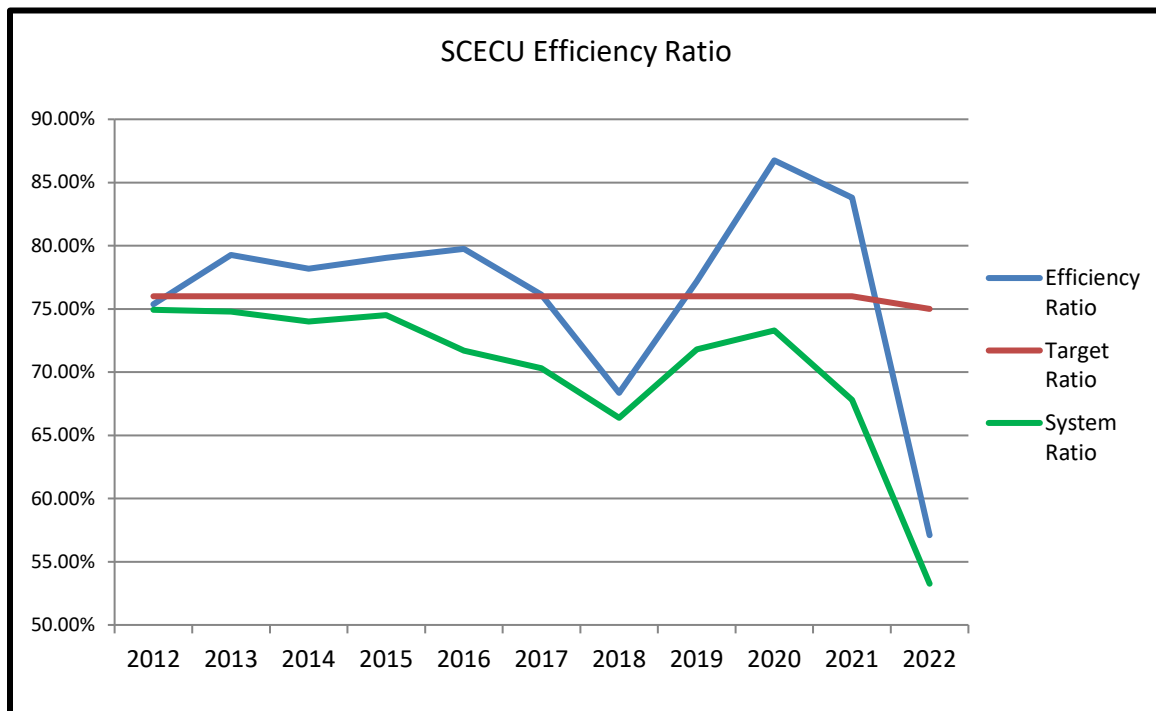


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### Efficiency Ratio:

The efficiency ratio is a measure of revenue to expenses expressed as a percentage and the lower the ratio the more profitable the entity. Our Credit Union's operating efficiency ratio as of December 31, 2022, is 57.1%, (2021 – 83.81%), (2020 – 86.39%) while the Saskatchewan Credit Union system ratio is 53.26% for December 31, 2022, and 67.59% for 2021. We did reach our goal to have an operating efficiency of 76.0% or less, however, without the Concentra Bank dividend our ratio was 84%. Our goal is to achieve a ratio of 75% to 78% from typical operations. To improve our efficiency, we need to increase our revenues and control our operating expenses.



### Liquidity Management

With our investment practices and our member deposit structure our liquidity position is strong. Calculated according to the Credit Union Deposit Guarantee's Standards of Sound Business Practice, as of December 31, 2022, our LCR is 550.7%, well above the current requirements of 100%, while the credit union system is at 232.39%.

From an operational perspective we strive to maintain 100% of our operating liquidity needs in order to provide our members with the capacity to transact their day-to-day financial activities. Our operational liquidity has improved beginning with loan paydowns and improving thereafter from our member deposit growth. This resulted in our operating liquidity as of December 31, 2022 to be 109.85% above our 100% target ratio. To optimize liquidity the Credit Union has strategies to deal with this matter including aggressively solicit loans, purchase loans and/or leases and increase our longer-term investments.

Although not a current significant risk, management will continue to monitor and manage SCECU's operating liquidity in 2023.

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## People

### Members

In 2022 our memberships decreased by (1.89%) from 2155 members to 2115 members. There were 110 new member records opened and 150 member records closed. As of December 31, 2022, we have 15 non-members utilizing our services. In 2021, 84 new member records were opened, and 146 member records were closed for a decrease of 62 (2.8%) and (2.85% decrease – 2020). The Credit Union system experienced a membership increase of 1.45% in 2022.

### Directors

The board of directors has determined the board will operate with 9 members. There are four positions available as of the date of our annual general meeting on March 21, 2023, each for three-year terms. Two (2) incumbents, Marian Voth and Lesley Smith have offered to let their names stand and seek re-election to the board. The remaining two positions are vacant as Shahzada Azam having served on the board from 2014-2023 and Romuald Lagace, having served on the board from 2017-2023, are not seeking re-election. We thank all the members of the board for their service to the Credit Union and extend our appreciation to Shahzada Azam, and Romuald Lagace for their commitment and service to our board.

### Staff

Over the past year our staff and management continue to deliver timely, personal, friendly, and professional service to our members, and I extend my sincere gratitude and appreciation to our staff and management. I am very proud to work along-side our staff and management as they have once again risen to the challenge to provide our members with the high level of service to our members.

Our dedicated staff complement of 11 members consists of 8 full-time and 3 part-time employees with a 3-member management team. We've seen a few personnel changes in 2022. We bid farewell to Dakota Lambert who resigned to pursue her post-secondary education. Joining our team in 2022 is Laurel Anthony, as our part-time member service representative.

We also extend our congratulations to Michelle Lane for achieving the milestone of 25 years of service with Saskatoon City Employees Credit Union.

I look forward to the challenges and opportunities ahead of us and another successful year working with our diligent staff and management team to serve our members with the highest level of service they deserve, have come to expect, and appreciate.

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## Summary

Under the circumstances of this past year our Credit Union had measured success in 2022 as we dealt with an unprecedented seven (7) interest rate increases from the Bank of Canada from March to December driving up our prime rate 4 percentage points in 10 months from 2.50% to 6.50%, inflation rates not seen since the 1980's, driven by very robust job market with low unemployment and the residual effects from supply change issues coupled with robust consumer demand.

The highlights for 2022 was, (a) SCECU's 75<sup>th</sup> anniversary as we celebrated with our members throughout the year with the focal point being a barbeque at the Forestry Farm & Zoo, and (b) the closing of the sale of SaskCentral's 84% ownership in Concentra Bank to Equitable Bank (EQB) for \$416.2M on November 1 and the distribution of the net sale proceeds of \$408.7M from the sale to Saskatchewan Credit Unions. SCECU's portion of the sale proceeds amounts to an estimated \$1.295M distributed as a \$958,027 dividend and the remainder as capital repatriation.

Our net earnings from regular operations in 2022 is slightly less than 2021 however with the added sale proceeds from the sale of Concentra Bank our net earnings are elevated to new heights. Our member deposits and assets both declined on the exodus of approximately \$2.43M in estate account settlements plus additional deposits as members spending activity increased throughout 2022 as pandemic restrictions were eased.

Despite the challenges our Credit Union still managed to attract new memberships, increase loans, produce positive net earnings, build solid capital and strong liquidity ratios. Saskatoon City Employees Credit Union has a great opportunity to grow and be successful in our niche market serving current and former City of Saskatoon employees and their families. A focus on quality loan growth and full-service members and member security will help support profitability and positive net earnings in 2023 establishing a more sustainable future for our Credit Union and our members.

Management and staff will continue to initiate and implement processes to better position our credit union to achieve positive financial results for 2023 all the while navigating the risks and regulations in the financial services industry. The Board of Directors and Management team are committed to balancing and managing the various risks facing our Credit Union to ensure strength, stability, and viability well into the future.

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## ***Enterprise Risk Management (ERM)***

Risk management tries to anticipate and prepare for potential risks that are most likely to materialize in our organization. Management works with the Board of Directors to establish and adopt policies and procedures to effectively manage the various risks to which the organization is exposed. Tools that management and the board have undertaken to identify, assess and manage the risks include regular monitoring, stress testing, both internal and external audits, combined with ongoing reporting to and monitoring by our regulator, Credit Union Deposit Guarantee Corporation. In addition, our Credit Union has contracted the services of SaskCentral to assist our Credit Union in developing complete updated and integrated Capital and Liquidity plans. Management contracted the services of SaskCentral National Consulting to assist management with an analysis of our Credit Union's risk exposure and identification of risk mitigation strategies. In 2023 management will work with LP and Company Inc to refresh our ERM and Strategic Plans.

Each year our credit union spends significant resources measuring and assessing risks and ensuring we are adequately prepared to serve our membership now and in the future. This process is called enterprise risk management (ERM) and is a requirement of credit unions in Saskatchewan as laid out by Credit Union Deposit Guarantee Corporation. As the risks remain relevant in 2021 the board and management reviewed thirteen (13) risks. The identified risks have been categorized into eleven (11) categories of risk, credit, liquidity, emerging, earnings, reputation, human resources, operational, strategic, market /interest rate, information technology, and legal/regulatory. Upon implementation of mitigating strategies and action plans no risks were considered high severity. Through regular reviews of the market and market conditions, internal assessments and regulatory compliance reviews, management reports to the board of directors quarterly and annually. Risk mitigating strategies and action plans are implemented by management to manage these risks at levels identified in the credit unions risk appetite. Through this process, the following risks have been identified according to their potential impact on Saskatoon City Employees Credit Union (SCECU).

### **Strategic Risk**

Strategic risk is the risk that adverse decisions, ineffective or inappropriate business plans or failure to respond to changes in the competitive environment, customer preferences, product obsolescence or resource allocation will impact our ability to meet our objectives. This risk is a function of the compatibility of an organization's strategic goals, the business strategies developed to achieve these goals, the resources deployed against these goals and the quality of implementation.

Four strategic risks identified as high inherent risk for Saskatoon City Employees Credit Union include: 1) inability to keep pace with technology prevents us from delivering a superior member service experience; 2) failure to understand the needs of current and future members may lead to unsuitable product design and misalignment of service delivery channels; 3) inability to recruit or develop qualified directors will erode the strength of the credit union; and 4) failure to attract new members and increase wallet share threatens the long term sustainability of the credit union.

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To manage the risk to an acceptable moderate severity the following strategies were implemented: we will strengthen relationships with members, adopt new technologies based on member needs and ability of the Credit Union to afford, and ensure staff are trained to use relevant technology. Our plans are to work with National Consulting Inc to stay current with technology advancement and to stay current with technology development. We will contract with Central 1 to offer members a modernized digital banking solution and with PPJV to offer members a payment solution. The board has acted to mitigate risks by implementing a recruitment process including a director eligibility declaration, budgeted for board training and encourages directors to take training courses. We developed a comprehensive marketing strategy to bring an awareness of SCECU amongst city employees through digital channels with the City of Saskatoon. All four risks have a residual risk severity of moderate to modest.

### **Reputational Risk**

Reputational Risk is the risk of reputation because of inadequate management or other external risks. Regardless of how successful the credit union is at risk management other jurisdictions, national, provincial, or even international reputation events could impact local member perception of the credit union. Member financial loss and security breach are the two most prominent areas which could negatively impact reputation. Privacy matters are most prone to reputation impairment but there are many activities such as poor member service, technology failure, lack of financial success and ineffective governance are other potential risk areas. Risks identified for our Credit Union include profitability targets not achieved to a point where patronage payments could not be made may be a negative signal to members. We accept this risk and will mitigate the risks with staff, management and board education strategies and effective communication strategies. Communication is essential to the management of the risk and impact on member activities resulting from the event. Transparency and full disclosure are mandatory to maintain and regain member confidence.

### **Market Risk**

Market risk is the exposure to potential loss from changes in market prices or rates. Losses can occur when values of assets and liabilities or revenues are adversely affected by changes in market conditions, such as interest rate or foreign exchange movement. Our risk is that competitive pressure in the consumer loan and mortgage market compress interest margins and negatively impact profitability. SCECU operates in one of the most competitive markets in Saskatchewan, not only from other Credit Unions but banks and other non-traditional players in the financial services industry. We accept the risk and to manage this risk, management will conduct reviews of product offerings, static gap analysis, and pricing to help ensure profitability and competitiveness. We will continue to develop our competitive advantage in excellent personal service and supplement that with mortgage and deposit rate special's.

### **Liquidity Risk**

Liquidity risk is the potential inability to meet obligations, such as liability maturities, deposit withdrawals, or funding loans without incurring unacceptable losses. Liquidity

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risk includes the inability to manage unplanned decreases or changes in funding sources. Credit Union Deposit Guarantee Corporation (CUDGC) has developed standards effective January 1, 2017, titled, the Liquidity Coverage Ratio (LCR). The purpose of the LCR is to measure whether the credit union has sufficient cash and very liquid assets to convert to cash (*defined as High Quality Liquid Assets*) to meet their liquidity requirements for a period of at least 30 days in the event a liquidity event occurs such as a draw-down of member deposits. CUDGC LCR standard is 100%. The purpose of the liquidity management plan (LMP) is to ensure the optimal level of liquidity is maintained to meet regulatory and operational needs. Holding inadequate liquidity may result in SCECU not being able to meet member loan demand or demands for withdrawal of their deposits. Holding surplus liquidity means SCECU may not be generating sufficient returns on its funds to achieve an optimum return to its members or depositors.

Our objective is to maintain the Regulatory Statutory Liquidity ratio at 10% of deposits and strive to maintain our liquidity coverage ratio within a range of 110% to 150% of our requirements. Calculated according to the Standards of Sound Business Practice, as of December 31, 2022, our LCR is **550.7%**, well above the current requirements and not a current risk facing SCECU.

Operational liquidity risk increases as our loan to asset ratio increases putting pressure on resources to fund liquidity events on a day-to-day basis. As of December 31, 2022, our loan to asset ratio is **66.66%** well below our board target of 80% and increasing our loan portfolio will be a focus for management in 2023. To manage this risk, management will continue to actively pursue loan promotions to attract credit worthy members, investigate loan participation with Credit Union partners and investigate lease financing opportunities in pursuit of higher earnings within acceptable risk levels.

### **Credit Risk**

Credit risk is the risk of loss arising from a borrower or counterparty's inability to meet its obligations. As all our investments are held with SaskCentral, Concentra Bank or other Schedule I banks with a DBRS rating of R-1 thus our primary risk is associated with loans.

As extending credit has inherent risk, increasing our loan portfolio will increase our risk exposure and may require an increase in capital requirements. According to our strategic plan we have elevated our risk by participating in the purchase of commercial loans from our partners. Although such loans may increase our risk it also increases our potential revenues as the loans bear a higher interest rate than our investments. Our experienced lenders adhere to lending policies and practices thus mitigating our risks to an acceptable level. We will not allow our loan delinquency over 90 days to exceed 4% but strive to maintain a ratio below 3%. As of December 31, 2022, our total loss exposure, which is all loans 90 days or more delinquent, is two (2) **loans for a total of \$5,459 or 0.01% (0.03%-2021)**.

Another risk, though moderate, is the high concentration of residential mortgages making our Credit Union susceptible to volatility in the local housing market that may negatively impact earnings. We accept these risks and manage them with updated lending policy and procedures to ensure underwriting due diligence, audits are conducted, and all residential mortgages are underwritten using the mandated stricter

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qualifying requirements and stress tested. We will continue to diversify our loan portfolio to maximize our returns while remaining compliant with regulatory standards by supplementing our loan portfolio with syndication of loans, participation loan purchases and investigate lease financing. As of December 31, 2022, we have funded or participated in, a total of \$7.64 million with Concentra Bank (Wyth Financial) and New Community Credit Union versus \$7.11 million in 2021.

### **Legal and Regulatory Risk**

Legal and regulatory risk is the risk arising from potential violation of, or nonconformance with, laws, rules, regulations, prescribed practices, or ethical standards. Our risk is becoming non-compliant through error, lack of knowledge or lack of resources to monitor effectively. SCECU has policies and procedures in place to mitigate our exposure to these risks. SCECU has designated a Risk and Compliance Manager, a Compliance Officer and in 2022 continued with Prairie West Compliance Services Inc. to provide Chief Anti-Money Laundering Officer services and together they ensure concurrence to the Money Laundering and Anti-Terrorism reporting requirements and other compliance requirements. Our Privacy Officer ensures compliance to the Personal Information Protection and Electronic Documents Act (PIPEDA). We mitigate this risk with staff and management completing annual training requirements to stay informed and competent in these areas. The board also participates in annual training requirements regarding privacy and proceeds of crime and terrorist financing and receives quarterly AML reporting and annual reporting on PIPEDA compliance. This is in addition to the internal and external audits, CUDGC reviews, FINTRAC audits, and WCB audits. We will endeavor to comply with the Standards of Sound Business Practice, seek legal opinions where appropriate and be compliant with all regulatory oversight.

To the best of my knowledge, we are compliant with all regulatory requirements, including but not limited to, The *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)*, Foreign Account Tax Compliance Act (FATCA), Common Reporting Standards (CRS), and Anti-Spam Legislation (CASL) to name but a few.

### **Operational Risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events. Exposure to this risk arises from deficiencies in internal controls, technology failures, human error, employee integrity or natural disasters. We accept these risks, and we will increase the risk in pursuit of opportunities by pursuing collaborative initiatives and working with like-minded partners.

To manage this risk SCECU has established policies, procedures, and internal controls and continues to review these to ensure they are compliant and effective. We will continue to collaborate with other Credit Unions to achieve efficiencies, continue to pursue cost effective training for our staff, engage the staff in improving the service culture and strategy for the Credit Union and develop performance plans. We will, when required capitalize on our support services by contracting National Consulting Limited resources. These resources will provide expertise and cost savings for both technological solutions and delivery systems. As of December 31, 2015, we have

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signed a new 7-year deal with Celero to provide our core banking services commencing January 1, 2016, and in 2021 we have signed a two (2) year extension of service to expire December 31, 2025. For our members protection we have implemented measures such as password access, encryption of data, authority levels and built-in security systems to protect member information as well as backing up all data and banking system information. In addition, we have contracted Central 1 for Proactive Fraud Management service and enhanced our members fraud protection with Two Step Verification for members online banking.

A renewed three-year contract with SaskCentral Market Solutions to perform internal audits has expired as of December 31, 2022. Internal audit assists us in ensuring appropriate policies and procedures are in place. SCECU has commenced discussions with Brightside Consulting Services Ltd. regarding internal audit services for 2023.

### **Earnings Risk**

We have defined earnings risk as the inability of the Credit Union to generate sufficient net earnings to fund Credit Union activities and strategies.

SCECU's risk is that profitability targets are not met due to the inability to generate sufficient revenues or control operating expenses, increases the likelihood we will not be able to fund our long-term strategies. To manage this risk SCECU has established policies, procedures, and internal controls. To increase our revenues, we will pursue revenues from non-interest sources such as credit card offerings and creditor insurance sales. In addition, to identify areas of gain we will continue to review within the organization where there are opportunities to increase fees and carefully manage operating costs. We will review our loan mix and look for additional opportunities to grow our portfolio. We will also conduct regular pricing reviews. We will continue to explore opportunities to work with like-minded credit union system players to increase our business efficiencies.

### **Human Resource Risk**

Human Resource risk focuses on the specific risks all employees, including new hires to long-term employees, staff to the Chief Executive Officer, pose to the Credit Union. This could involve risks around improper employee management, employee behavior, or the way you hire, retain, and lose employees. Employees play a pivotal role in the success of our organization.

Our risks, though moderate to modest include: i) a significant portion of current employees could retire in the near future and trigger significant loss of knowledge and member relationships inhibiting our ability to achieve our strategies and deliver the desired member experience; ii) risk of the loss of membership because staff may not have adequate knowledge or may not be equipped with the skills to handle the job requirements inhibiting our ability to deliver the desired member experience; and iii) the risk of misalignment of employee performance to the strategic goals may lead to organizational underperformance and diminish member experience.

SCECU accepts these risks and will manage these risks by focusing on cross training together with internal training to ensure the transfer of knowledge, emphasizing a more proactive service culture to enhance the member experience, provide sufficient

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annual budgets for employee training and education, review, and update job descriptions, discuss strategic goals with staff, and recruit for qualifications and strategic alignment.

### **Information Technology (IT)/ Cyber Risk**

Information Technology / Cyber risk is the risk of loss, corruption, and unauthorized disclosure of information, as well as the damage or disablement of technology and other assets owned by or entrusted to the organization. Our risk is that system partners are unable to ensure our network, data and website are safeguarded and protected from internal and external IT/Cyber related risks and the negative impact to our members.

Management will continue to endeavor to reduce the risk by continually seeking opportunities to share IT resources with Credit Union partners, rely on and engage system partners like National Consulting Limited to find affordable IT assessment solutions. We will educate and train staff and management on cyber safety utilizing CUMIS Risk Management resources and CCUA educational resources. Celero currently provides email protection, network protection, endpoint protection including Preventative Care desktop services. Central 1 currently provides secure internet banking (MemberDirect) with authentication and protection services, network security, and platform/application security, and near real time fraud monitoring and Central 1 also manages our secure website. The Credit Union carries insurance against losses with CUMIS to mitigate our loss exposure. CUMIS has advised the Credit Union that CIMIS will no longer provide Cybersecurity insurance. SCECU is actively researching our options for insurance coverage.

We will continue to work with system partners to ensure network, data, and website are safeguarded and protected from internal and external cybersecurity and malicious viral attacks.

### **Emerging Risk**

Emerging Risks are newly developing risks that cannot yet be fully assessed but could, in the future, affect the viability of an organization's strategy. One way to identify them is to focus on whether the critical assumptions underlying the strategy are becoming, or have become, invalid. Emerging risks are considered trends, innovations, and potential game changers most relevant to a specific sector.

SCECU has placed Open Banking on its radar as an emerging risk and will further address this matter in 2023. A simplified definition of Open Banking is it is a series of reforms as to how banks deal with your financial information. Open banking puts you back in control of your data. It will allow you to tell financial institutions to transfer your data to other financial institutions or other service providers to compare products or sign up for new products more easily. It is a secure way to give service providers access to your financial information. It's an innovation that allows third parties to build apps and services around financial institutions. It gives consumers/members the benefit of choice and freedom to select from multiple service providers. It also empowers members to take charge of their finances and make informed decisions to manage their accounts

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## ***Regulatory Matters***

Regulatory matters are, like most Credit Unions, an ongoing concern of Saskatoon City Employees Credit Union. There is a multitude of regulatory bodies to which the Saskatoon City Employees Credit Union must comply. Significant bodies include The Registrar of Credit Unions, Financial and Consumer Affairs Authority of Saskatchewan (FCAA), the Credit Union Deposit Guarantee Corporation (CUDGC), Financial Transactions & Reports Analysis Center of Canada (FINTRAC), Canada Revenue Agency (CRA), Government of Saskatchewan Provincial Sales Tax (PST), Insurance Council of Saskatchewan (ICS), Office of the Privacy Commissioner and Canadian Payments Association (CPA).

In addition, Saskatoon City Employees Credit has contracted effective January 1, 2022, with Ombudsman for Banking Services and Investments (OBSI) to assist in the resolution of member complaints. *"Canada's Ombudsman for Banking Services and Investments (OBSI) is a national, independent, and not-for-profit organization that helps resolve and reduce disputes between consumers and financial services firms in both official languages. OBSI is responsive to consumer inquiries, conducts fair and accessible investigations of unresolved disputes, and shares its knowledge and expertise with the stakeholders and the public. If a consumer has a complaint against an OBSI participating bank or investment firm that they are not able to resolve with the bank or firm, OBSI will investigate at no cost to the consumer."* Sourced from OBSI News Release January 20, 2022

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## ***Corporate Structure and Governance***

The governance of Saskatoon City Employees Credit Union is anchored in the co-operative principle of democratic member control. The board operates and is governed under the Carver Model of Board Governance (TM). The Board Governance Policy states, "On behalf of the members and potential members, the Board will govern the Saskatoon City Employees Credit Union with a *strategic* perspective, attending to its *leadership* role and to its continual *improvement* in defining *values* and *vision*." A full version of the Boards policy is available on our website at [www.scecu.com](http://www.scecu.com).

### **Board of Directors**

#### ***Mandate and Responsibilities***

The board is responsible for the strategic oversight, business direction and supervision of management of Saskatoon City Employees Credit Union. In acting in the best interests of the credit union and its members, the board's actions adhere to the standards set out in *The Credit Union Act 1998*, the *Standards of Sound Business Practice* and other applicable legislation.

#### ***Board Job Description***

Specific jobs of the Board, as an informed agent of the membership, are those that ensure appropriate organizational performance.

- 3.1 The Board will provide the link between the organization and the membership as owners.
- 3.2 The Board will provide written governing policies that, at the broadest levels, address each category of organizational decision.
  - 3.2.1 ENDS: Organizational products, impacts, benefits, outcomes, recipients, and their relative worth (**what good for which recipients at what cost**).
  - 3.2.2 EXECUTIVE LIMITATIONS: Constraints on executive authority, which establish the prudence and ethics boundaries within which all executive activity and decisions must take place.
  - 3.2.3 GOVERNANCE PROCESS: Specifications of how the Board conceives, carries out and monitors its own task.
  - 3.2.4 BOARD-STAFF LINKAGE: How power is delegated, and its proper use monitored; the General Manager role, authority, and accountability.
- 3.3 The Board will participate in the organization's Strategic Planning, but its role will be limited to updating the Board's Policies and Wish List.
- 3.4 The Board will provide assurance of organizational performance.

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## **Directors**

*Please refer to the separate enclosure as Appendix B, naming your board of directors and staff members.*

## **Board Composition**

The board is composed of 9 individuals elected from and by the membership at our annual general meeting. Terms are for 3 years, and tenure is limited to four consecutive terms of 3 years each. Nominations are made by active board members and members at large and will close 7 days before the date of the annual meeting. Voting is anonymous and may be completed by paper or digital ballot. Election results are announced at Saskatoon City Employees Credit Union's annual general meeting.

## **Committees**

The responsibility of the board of a modern financial services organization involves an ever-growing list of duties. Saskatoon City Employees Credit Union maintains committees comprised of **the entire board of directors**. If Board committees are necessary, they will assist with the Board's job only; never interfering in the direct link between the Board and the General Manager, and never fragmenting the wholeness of the Board's job. **Committees are not authorized to change Board Policy.**

These responsibilities enable a clear focus on specific areas of activity vital to the effective operation of our credit union.

The committees currently in place are:

- Audit and Risk Committee  
The Audit and Risk Committee oversees the financial reporting process, reviews financial statements, liaises with internal and external auditors and regulators, and reviews internal control procedures. The Committee on an organization wide basis oversees the identification, understanding and management of risks that may affect Saskatoon City Employees Credit Union. The committee consists of at least a quorum of directors and comprised of all members of the Board.
- Nominating Committee  
The Nominating Committee consists of four board of directors and one Credit Union staff member and would oversee the nomination and election processes for elections of credit union directors.
- Conduct Review Committee  
The Conduct Review Committee ensures that Saskatoon City Employees Credit Union acts with the full integrity and objectivity of its directors and employees by having in place policies, processes and practices that protect people and the organization from claims and the perception of

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unfair benefit or conflict of interest. The committee is selected by a board motion at the board's annual re-organizational meeting. The following committees are not current committees of the board; rather, the functions are performed by the entire board of directors.

- Governance Committee  
Although not currently a formal committee of the board, the entire board reviews their governance on a continual basis. The Governance Committee establishes and maintains effective governance guidelines, ensures the performance of the general manager, ensures succession of senior leadership, and ensures compliance with governance policies and Saskatoon City Employees Credit Union bylaws. It consists of all the directors. The board would outline their terms of reference, guidelines, and requirements.
- Policy Committee  
Although not currently a formal committee of the board, operational policy development, by virtue of board governance policy, is delegated to the general manager. The board reviews its policies monthly at the regular board meetings as a standing agenda item.

### ***Compensation and Attendance***

All directors are required to attend a minimum of 75% of all board meetings, calculated from the first meeting after the Annual General Meeting to the last regular meeting of the board before the next Annual General Meeting unless excused by Board motion

In 2022 the board of directors held eleven (11) regular meetings and four (4) audit meetings. Attendance ranged from a low of 64% to high of 100% attendance, with only two (2) members being excused for attending less than the required minimum.

The directors of the Credit Union shall be reimbursed for their services. Any such reimbursement is designed to offset expenses and not to directly provide a benefit. Each director will receive an annual stipend in the amount of \$475 to offset personal expenses incurred because of their attendance at credit union meetings. Each director while on Credit Union business, will receive a mileage reimbursement, and be reimbursed for the actual cost of hotel accommodations, meals, and airfare. Directors are also exempted from the payment of Credit Union service charges and eligible for long service awards.

### ***Director Training***

Training and retraining will be used to increase and maintain the existing board member skills and understanding, and for the orientation of candidates for board membership. As the entire board policy may be daunting to new and prospective board members, new board members will receive a Board of Directors Orientation Manual to assist them with an understanding of Saskatoon City Employees Credit Union including a brief history of our Credit

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Union, a listing of Credit Union affiliates and partners along with the guide to the Carver Model of Board Governance (TM).

### ***Evaluation***

The board will monitor and discuss the board's process and performance at each meeting through round-the-table exception reporting. Self-monitoring will include comparison of board activity and discipline to policies in the GOVERNANCE PROCESS and BOARD-STAFF LINKAGE categories.

### ***Executive Management***

Your 2022 management team is unchanged and consists of three (3) members, the general manager, the assistant manager, and the retail services/office manager. Dennis Lozinsky is your general manager effective May 1, 2011, E. Graeme Bittner is the assistant manager effective June 20, 2011, and Scott Roesch joined the management team January 1, 2019.

### ***Corporate Social Responsibility (CSR)***

Saskatoon City Employees Credit Union has always contributed to the well-being of the community that we serve beyond the financial and economic role financial institutions play. Around the world companies are putting increased emphasis on corporate social responsibility (CSR) and the concept of a triple bottom line (TBL) that focuses not only on profit but also on people and the planet. We take the steps necessary to have a positive impact on our community and the environment consistent with our corporate values.

Saskatoon City Employees Credit Union promotes environmental standards by means of programs such as paper recycling, reduced printing by using more electronic dissemination of information, electronic statement promotion, online banking, document imaging, member, and branch remote depositing.

Saskatoon City Employees Credit Union personnel policies encompass the well-being of employees such as the development of a safe and respectful workplace. In 2022 our Credit Union has sponsored a member's child to attend Camp Kindling a Co-operative Youth Retreat whose aim is to contribute to the personal development of youth and encourage their active involvement in the community. The Credit Union also donated to the Co-operative Development Foundation of Canada (CDF). The Co-operative Development Foundation of Canada (CDF Canada) is a global social impact partner that collaborates with local communities to build their capacity to achieve sustainable economic and social development, leveraging the advantages of the cooperative business model. The Credit Union supports employee volunteer activities conducted during work hours or otherwise. The Credit Union also supports city employees' functions with donations and support and offers preferred service charge pricing for community groups.

Saskatoon City Employees Credit Union supports our community by awarding annually two (2), \$1,000 Boyd Johnson Memorial Scholarships.

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Saskatoon City Employees Credit Union board has also developed a Charitable Donations Policy wherein the board awards up to \$2,000 annually to registered charities.

## ***Capital Management***

The board of directors of Saskatoon City Employees Credit Union have reaffirmed their position stating definitively, our members are best served by an autonomous credit union and every effort will be undertaken to ensure SCECU remains as an autonomous credit union. The fundamental financial strength of a credit union is the level of capital it holds to protect against both anticipated and unexpected business events. To continue to provide these services, appropriate management of the credit union resources is required. Specifically, capital management is paramount to SCECU's future viability and sustainability.

Capital management can be very complex and includes 6 values as follows:

► **Board and Management oversight**

- Policies are developed regarding desired capital levels, risk tolerance, capital expenditures

► **Sound capital assessment and planning**

- Capital Plans are developed and reviewed by management and board on a regular basis

► **Comprehensive assessment of risks**

- Risks to capital are assessed through processes such as Enterprise Risk management (ERM)
- i.e., where is the largest concentration of risk to capital (credit/loans)

► **Stress Testing**

- On a quarterly basis capital levels are tested for possible erosion
- Stress testing programs are used to test the ability of the credit union to absorb losses
- i.e. How would rising interest rates effect our capital level

► **Monitoring and Reporting**

- Regular reports are prepared for the directors and Credit Union Deposit Guarantee Corporation.

► **Internal Control Review**

- Ongoing internal controls and functions in place
- Scheduled internal audits and CUDGC reviews.

The Credit Union Deposit Guarantee Corporation (CUDGC) has set out minimum standards for Credit Unions to follow with regards to capital limits. CUDGC limits are regulatory minimums, and the regulator's expectation of credit unions is to establish capital limits that:

- support prudent operations.
- are appropriate for the credit union's risk profile, risk appetite and risk tolerance.

## **Celebrating Serving You**

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- are aligned with the credit union's stress testing program and **Internal Capital Adequacy Assessment Process (ICAAP)**; and
- are stricter than regulatory minimums.

### Capital Adequacy

To assist management and the board in proper management of the capital an ICAAP analysis is performed on a quarterly basis and reported to the board accordingly. Saskatoon City Employees Credit Union has performed an Internal Capital Adequacy Assessment Process (ICAAP) to determine the impact of risks to our Credit Union's capital position. Through this process it was determined that we will require total capital of 14.26% of our risk-weighted assets as of December 31, 2022.

Our Credit Union and Standards of Sound Business Practice financial performance target/standards for capital are shown below:

<b>CUDGC's - Minimum Capital – as a % of Risk-Weighted Assets</b>			
	<b>2022</b>		
	Common Equity Tier 1	Total Tier 1	Total Eligible Capital
CUDGC Minimum Ratio Regulatory Limits - (as a % of risk-weighted assets)	<b>7.0%</b>	<b>8.50%</b>	<b>10.50%</b>
Saskatoon City Employees Credit Union Targeted Ratio	<b>7.0-10%</b>	<b>8.50-10%</b>	<b>10.5-15%</b>
Saskatoon City Employees Credit Union <b>ICAAP Analysis</b>	-	-	<b>14.26%</b>
Saskatoon City Employees Credit Union Achieved 2022 <b>Pre-Concentra Dividend</b>	<b>19.06%</b>	<b>19.06%</b>	<b>19.67%</b>
Saskatoon City Employees Credit Union Achieved 2022 <b>With-Concentra Dividend</b>	<b>21.29%*</b>	<b>21.29%*</b>	<b>21.89%*</b>
	<b>December 31, 2021</b>		
	<b>16.17%*</b>	<b>16.17%*</b>	<b>16.57%*</b>

\*Denotes information from Credit Union Deposit Corporation Financial Performance Analysis

Equity or Common Equity-Tier 1 Capital is comprised of retained earnings, contributed surplus and accumulated other comprehensive income less deductions as listed in CUDGC Standards of Sound Business Practice.

**Total Tier 1 Capital** is comprised of Common Equity-Tier 1 capital plus qualifying membership shares and other investment shares that meet the criteria for inclusion. **Total Eligible Capital** is the sum of Tier 1 and Tier 2 capital, and the minimum regulatory required capital is 10.50%. From our Risk Appetite our goal is to attain a Total Eligible Common Equity position of between 12% and 15.0% while the minimum standard of our board policy is 10.5%. In comparison the Credit Union system Total Eligible Capital ratio is 16.44% as of December 31, 2022.

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Although, our total capital ratio decreased slightly from the previous year end we still finished 2022 with a surplus of (21.89%-14.26%) = 7.63% of capital as determined from our ICAAP analysis. With surplus capital we are not optimizing the use of our capital to maximize earnings for the benefit of our members. However, we are in an enviable position of surplus capital rather than having to build capital. Another component of capital management is the distribution of earnings. As per our policy, earnings will be allocated in the following order of priority (As per SSBP – Capital Adequacy Requirements January 1, 2017):

- Capital until the capital standards are met.
- Additional capital to support growth, development, safety, and financial soundness.
- Patronage and/or dividends.

### **Leverage Ratio**

<b>Leverage Ratio</b>				
<b>CUDGC Minimum Standard</b>	<b>SCECU Board Target</b>	<b>2022 Pre-Dividend</b>	<b>2022 Post Dividend</b>	<b>2021 Results</b>
5.00%	Not less than 7.00%	8.40%	9.50%	7.46%

Leverage ratio is a measure of actual capital held by the Credit Union to its adjusted total assets. Total assets are reduced by intangibles assets, plus approved loans not yet disbursed.

As Saskatoon City Employees Credit Union currently exceeds both the CUDGC minimum regulatory levels and the board policy targets, management will continue to seek opportunities in 2023 to optimize our capital position. These ventures may expose the Credit Union to more risk, but it is with the expectation of increased earnings.

**Capital reflects the success of your credit union, and a strong capital position is the foundation for a strong, viable, and sustainable Credit Union. Capital also serves as the financial cushion that allows your Credit Union to expand product lines and develop new services.**

Respectfully submitted,



Dennis Lozinsky  
General Manager

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# Saskatoon City Employees Credit Union

## Listing of Board of Directors & Staff

**Effective: March 22, 2022**

### Board of Directors

Name	Department	Start Date	Term Expiry
Shahzada Azam	ProtactiQ Performance Solutions	AGM - 2014	AGM - 2023
Marian Voth	Accountant- Retired	AGM - 2017	AGM - 2023
Lesley(Les) Smith	Retired- Corp Serv-Assessor Dept.	AGM - 2020	AGM - 2023
Romuald Lagace	Retired – Infrastructure Services	AGM - 2020	AGM - 2023
Stanley Macala	President of CUPE Local 59	AGM - 2012	AGM - 2024
Richard Woodvine	Retired-Community Services	AGM - 2021	AGM - 2024
Allen Beck	Retired-Fire & Protective Services	AGM - 2006	AGM - 2021
		AGM - 2022	AGM - 2025
Martin Irwin	Retired – Provincial Court Judge	AGM - 2016	AGM - 2025
Alyson Edwards-Price	Strategic Communications -SPS	AGM - 2022	AGM - 2025

### Executive

**Effective: March 24, 2022**

Chairman	Marian Voth
1 <sup>st</sup> Vice President	Richard Woodvine
2 <sup>nd</sup> Vice President	Shahzada Azam
Secretary	Graeme Bittner
Treasurer	Dennis Lozinsky
Past Chair (non-voting)	Jan-Mark Gustafson

### Staff

**As of March 22, 2022**

	<u>SCECU Hire Date</u>	<u>With SCECU</u>	<u>Total CU Service</u>
Gail Gillard	Jun 17, 1985	36yrs 9 mths	36yrs 9 mths
Michelle Lane	Apr 17, 1996	25yrs	25yrs
Charlotte McCracken	Nov 5, 2003	18yrs 3 mths	26 yrs 3 mths
Stephanie Serblowski(P/T)	Sept 3, 2014	7yrs 6 mths	8 yrs 10 mths
Sophie Korol	Sept 17, 2019	2 yr 6 mths	2 yrs 6 mths
Scott Roesch	Nov 15, 2017	4yrs 4 mths	27 yrs 7 mths
Graeme Bittner	Jun 20, 2011	10yrs 8 mths	16 yrs 3 mths
Dennis Lozinsky	Jun 5, 2000	21yrs 9 mths	36 yrs 6 mths
Steven Hartmann	Jun 2, 2021	9 mths	9 mths
Charlene McClean (P/T)	Aug 4, 2021	7 mths	7 mths
Dakota Lambert (P/T)	Nov 29, 2021	4 mths	4 mths



**SASKATOON CITY EMPLOYEES CREDIT UNION**

**SASKATOON, SASKATCHEWAN**

**INDEPENDENT AUDITORS' REPORT AND  
SUMMARY FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

## MANAGEMENT'S RESPONSIBILITY COMMUNICATION

### To the Members

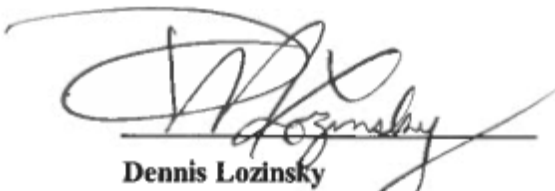
#### Saskatoon City Employees Credit Union

Management has responsibility for preparing the accompanying financial statements and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and making objective judgements and estimates in accordance with International Financial Reporting Standards.

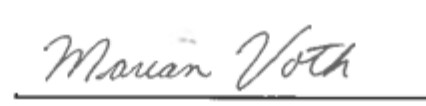
In discharging its responsibilities for the integrity and fairness of the financial statements and for the accounting systems from which they are derived, management maintains the necessary system of internal controls designed to provide assurance that transactions are authorized, assets are safeguarded and proper records are maintained.

Ultimate responsibility for financial statements to members lies with the Board of Directors. An Audit and Risk Committee of Directors is appointed by the Board to review financial statements in detail with management and to report to the Board of Directors prior to their approval of the financial statements for publication.

Independent auditors appointed by the members audit the financial statements and meet separately with both the Audit and Risk Committee and management to review their findings. The independent auditors report directly to the members and their report follows. The independent auditors have full and free access to the Audit and Risk Committee to discuss their audit and their findings as to the integrity of the Credit Union's financial reporting and the adequacy of the system of internal controls.



**Dennis Lozinsky**  
**General Manager**



**Marian Voth**  
**Chair of Audit and Risk Committee**

## INDEPENDENT AUDITORS' REPORT ON THE SUMMARY FINANCIAL STATEMENTS

### To the Members

### Saskatoon City Employees Credit Union

#### *Opinion*

The summary financial statements, which comprise the summary statement of financial position as at December 31, 2022, the summary statements of changes in members' equity, comprehensive income and cash flows for the year then ended, and related notes, are derived from the audited financial statements of **Saskatoon City Employees Credit Union** for the year ended December 31, 2022.

In our opinion, the accompanying summary financial statements are a fair summary of the audited financial statements, on the basis described in Note 1.

#### *Summary Financial Statements*

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon.

#### *The Audited Financial Statements and Our Report Thereon*

We expressed an unmodified audit opinion on the audited financial statements in our report dated February 23, 2023.

#### *Management's Responsibility for the Summary Financial Statements*

Management is responsible for the preparation of the summary financial statements on the basis described in Note 1.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on whether the summary financial statements are a fair summary of the audited financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, *Engagements to Report on Summary Financial Statements*.

February 23, 2023

Saskatoon, Saskatchewan

*Virtus Group LLP*

Chartered Professional Accountants



**SASKATOON CITY EMPLOYEES CREDIT UNION**  
**SUMMARY STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2022**  
**(with comparative figures for 2021)**

**ASSETS**

	<u><b>2022</b></u>	<u><b>2021</b></u>
Cash and cash equivalents	\$ 6,137,785	\$ 10,052,634
Investments	18,876,300	19,311,619
Loans receivable	52,172,647	50,947,208
Other assets	1,019,486	16,700
Property and equipment	61,221	84,270
	<u>\$ 78,267,439</u>	<u>\$ 80,412,431</u>

**LIABILITIES**

Deposits	\$ 70,463,740	\$ 73,407,726
Other liabilities	337,227	744,795
Shares	10,805	11,005
	<u>70,811,772</u>	<u>74,163,526</u>

**MEMBERS' EQUITY**

Members' equity	7,455,667	6,248,905
Accumulated other comprehensive income	-	-
	<u>\$ 78,267,439</u>	<u>\$ 80,412,431</u>

**APPROVED BY:**

 Director

 Director

**SASKATOON CITY EMPLOYEES CREDIT UNION**  
**SUMMARY STATEMENT OF CHANGES IN MEMBERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
(with comparative figures for the year ended December 31, 2021)

	<u>2022</u>	<u>2021</u>
<b>RETAINED EARNINGS</b>		
Retained earnings - beginning of year	\$ 6,248,905	\$ 5,998,310
Net income	<u>1,206,762</u>	<u>250,595</u>
Retained earnings - end of year	<u>\$ 7,455,667</u>	<u>\$ 6,248,905</u>
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>		
Accumulated other comprehensive income - beginning of year	\$ -	\$ -
Other comprehensive income	<u>-</u>	<u>-</u>
Accumulated other comprehensive income - end of year	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL EQUITY</b>	<u><u>\$ 7,455,667</u></u>	<u><u>\$ 6,248,905</u></u>

**SASKATOON CITY EMPLOYEES CREDIT UNION**  
**SUMMARY STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
(with comparative figures for the year ended December 31, 2021)

	<u><b>2022</b></u>	<u><b>2021</b></u>
<b>Interest revenue</b>		
Loan	\$ 1,984,186	\$ 1,867,846
Investment	1,375,325	155,808
	<u>3,359,511</u>	<u>2,023,654</u>
<b>Interest expense</b>		
Borrowed money	94	38
Member deposits	757,730	571,072
Patronage allocation	75,000	-
	<u>832,824</u>	<u>571,110</u>
<b>Net interest</b>	2,526,687	1,452,544
<b>Provision for credit losses (recoveries)</b>	<u>(14,541)</u>	<u>39,911</u>
<b>Net interest after provision for credit losses (recoveries)</b>	<u>2,541,228</u>	<u>1,412,633</u>
<b>Other income</b>	<u>416,624</u>	<u>481,987</u>
<b>Operating expenses</b>		
General business	706,598	681,190
Occupancy	58,011	59,922
Organizational	20,507	15,778
Personnel	850,403	786,031
Security	91,404	78,357
	<u>1,726,923</u>	<u>1,621,278</u>
<b>Income before income taxes</b>	1,230,929	273,342
<b>Income taxes</b>		
Current	24,367	27,047
Deferred (recovery)	<u>(200)</u>	<u>(4,300)</u>
<b>Net income before other comprehensive income</b>	<u>1,206,762</u>	<u>250,595</u>
<b>Other comprehensive income</b>	<u>-</u>	<u>-</u>
<b>Total comprehensive income</b>	<u><u>\$ 1,206,762</u></u>	<u><u>\$ 250,595</u></u>

**SASKATOON CITY EMPLOYEES CREDIT UNION**  
**SUMMARY STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
(with comparative figures for the year ended December 31, 2021)

	<u>2022</u>	<u>2021</u>
<b>Cash provided by (used in) operating activities:</b>		
Net income	\$ 1,206,762	\$ 250,595
Items not involving cash:		
- Amortization	43,585	41,443
- Provision for credit losses (recoveries)	(14,541)	39,911
Patronage allocation accrued	75,000	-
Net change in other assets and other liabilities	(1,485,354)	511,825
	<u>(174,548)</u>	<u>843,774</u>
<b>Cash provided by (used in) investing activities:</b>		
Investments	435,319	(9,704,281)
Loans receivable	(1,210,898)	1,486,281
Property and equipment	(20,536)	(37,565)
	<u>(796,115)</u>	<u>(8,255,565)</u>
<b>Cash provided by (used in) financing activities:</b>		
Deposits	(2,943,986)	8,437,289
Shares	(200)	(240)
	<u>(2,944,186)</u>	<u>8,437,049</u>
<b>Increase (decrease) in cash</b>	(3,914,849)	1,025,258
<b>Cash position - beginning of year</b>	<u>10,052,634</u>	<u>9,027,376</u>
<b>Cash position - end of year</b>	<u><u>\$ 6,137,785</u></u>	<u><u>\$ 10,052,634</u></u>

**SASKATOON CITY EMPLOYEES CREDIT UNION**  
**NOTES TO THE SUMMARY FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
**(with comparative figures for the year ended December 31, 2021)**

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**1. Basis of the summary financial statements**

The summary financial statements are derived from the audited financial statements, prepared in accordance with International Financial Reporting Standards, as at December 31, 2022 and December 31, 2021 and for the years then ended.

The preparation of these summary financial statements requires management to determine the information that needs to be reflected in them so that they are consistent in all material respects with, or represent a fair summary of, the audited financial statements.

Management prepared these summary financial statements using the following criteria:

- (a) the summary financial statements include a statement for each statement included in the audited financial statements;
- (b) information in the summary financial statements agrees with the related information in the audited financial statements;
- (c) major subtotals, totals and comparative information from the audited financial statements are included; and
- (d) the summary financial statements contain the information from the audited financial statements dealing with matters having a pervasive or otherwise significant effect on the summary financial statements.

The audited financial statements of **Saskatoon City Employees Credit Union** are available upon request by contacting the Credit Union.

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# Celebrating Serving You



Thank you for joining us in  
Celebrating 75 Years Serving  
You, our Members!



With over 200 registrants, our celebration was a huge success! We received an incredible amount of positive feedback from our members.

## Event Highlights:

- SCECU Picnic Blanket
- BBQ Lunch
- Candy Guess
- Face Painting
- Firetruck Display
- Police Mascot
- Zoo Entry

# Thank you

FOR JOINING US









## Congratulations to some of our Prize Winners



City of Saskatoon  
Gift Card  
Brian



Candy Guess and \$75.00  
Blake



City of Saskatoon  
Gift Card  
Tim



SCECU BBQ Set  
Chris

July 7, 2022, marked our Credit Union's 75th Anniversary. It is not often in our lives that we are fortunate enough or privileged to celebrate a diamond or platinum jubilee. Thanks to the foresight of our founding members, the dedication and continued support of our current members we are celebrating 75 years, our palladium anniversary, serving you!

Founded on the principle of "neighbor helping neighbor", Saskatoon Municipal Savings and Credit Limited was incorporated July 7, 1947, we continued to work together to grow our Credit Union to what it is today, \$78 Million and 2250 members.

On behalf of our staff, management, and board of directors, both past and present, it is with extreme gratitude and appreciation that I thank you - "our members". Your belief and support have resulted in the growth and success of Saskatoon City Employees Credit Union.

**Our success is but a measure of your success!**

**DENNIS LOZINSKY**  
General Manager



\$75.00 Cash Prize  
Greg



\$75.00 Cash Prize  
Suzanne



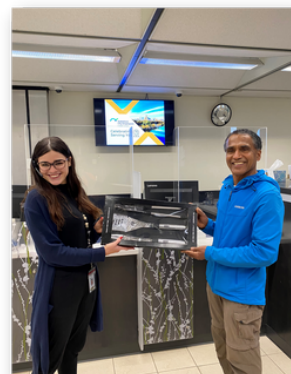
\$25.00 Co-op  
Gift Card  
Robert



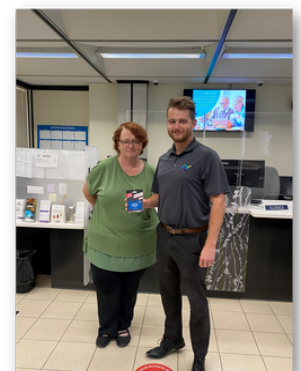
\$25.00 Co-op  
Gift Card  
Deb



SCECU Game Set  
Wendi



SCECU BBQ Set  
Prem



\$25.00 Co-op  
Gift Card  
Eleanor



# Monthly Prizes

In addition to our 75th Anniversary Event, we also hosted monthly draws for our members to win:

## Credit Union Golf Bag



## Golfing Package

- Half Hour at the Golf Range with Unlimited Balls
- SCECU Hat
- SCECU Water Bottle



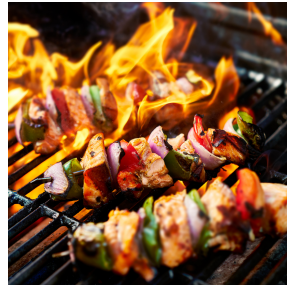
## BBQ Package

- \$20.00 Bulk Cheese Warehouse Gift Card
- Credit Union BBQ Set
- Credit Union Apron



## BBQ Package

- \$20.00 Bulk Cheese Warehouse Gift Card
- Credit Union BBQ Set
- Credit Union Apron



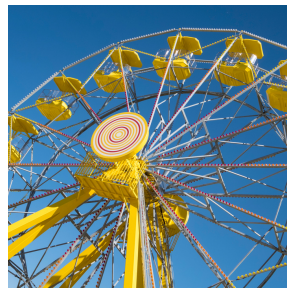
## Thanksgiving Turkey is on us!

- \$40.00 Co-op Gift Card



## Activity Package

- \$40.00 Saskatoon Leisure Gift Card
- Credit Union Water Bottle



## Fall Fun and Games Package

- SCECU Game Set
- SCECU Toque
- SCECU Blanket



## SCECU Game Set

- Chess
- Checkers
- Cards
- Dominoes
- Dice
- Cribbage
- Playing Board



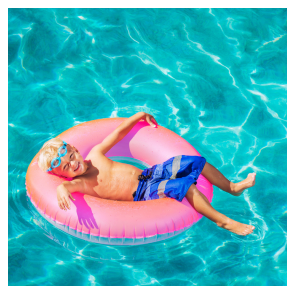
## Winter Car Care Package

- Car Wash
- Windshield Wash
- SCECU Blanket
- SCECU Toque



## Saskatoon Summer Package

- \$40.00 Saskatoon Leisure Gift Card
- SCECU hat



## Cozy Up Christmas Package

- \$20 Tim Hortons Gift Card
- SCECU Blanket
- SCECU Toque
- SCECU Mugs

