



2023 ANNUAL Report



**Saskatoon
City Employees
Credit Union**



**Saskatchewan
Credit Unions**

saskcu.com

Meeting Agenda

**77th Annual Meeting of the
Saskatoon City Employees Credit Union
March 19, 2024 – 7:00 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 2023
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 2024
13. Announcement of Directors
14. New and Other Business
 - Boyd Johnson Memorial Scholarship Awards Presentation
 - Other New Business
 - Door Prizes
15. Adjournment

**76th Annual General Meeting
of the
Saskatoon City Employees Credit Union
March 21,2023**

1.0 Call to Order & Welcome: Time: 7:31 pm

2.0 Registration & Declaration of Quorum:

Minimum of 15 members required. Quorum is declared.

3.0 Adoption of Agenda:

Motion:

Moved by: Romuald Lagace Seconded by: Allen Beck

“To adopt the agenda as presented.”

Carried

4.0 Reading and approval of the previous year’s annual board minutes

Motion:

Moved by: Les Smith Seconded by: Chris Phippard

“That the minutes of the SCECU AGM meeting held on March 22,2022, be approved as presented.”

Carried

5.0 Business arising Out of the minutes:

none

6.0 Board of Directors/Board Chair’s Report

Chair Marian Voth presented a power point presentation and report to the membership.

7.0 Deposit Guarantee Corporation Annual Report for 2022

Posted on their website: www.cudgc.sk.ca . Refer to page 10 of the Annual Report.

8.0 Management Discussion and Analysis Report

General Manager Dennis Lozinsky presented this power point presentation report to the membership.

**76th Annual General Meeting
of the
Saskatoon City Employees Credit Union
March 21,2023**

9.0 Management's Responsibility

Within the annual report.

10.0 Auditor's Report and Presentation of Financial Statements

- presented by Brian Heinrichs, partner in Virtus Group.

Discussion open to the floor.

Motion:

Moved by: Allen Beck

Seconded by: Les Smith

“That the Audited Financial statements for 2022 be accepted as presented”

Carried

11.0 Adoption of Reports

Motion:

Moved by: Romuald Lagace

Seconded by: Allen Beck

“That the reports of the Board Chair, Deposit Guarantee annual report and Management Discussion and Analysis Report be received as presented”

Carried.

12.0 Appointment of Auditors for 2023

Motion:

Moved by: Stan Macala

Seconded by: Jan-Mark Gustafson

“That the audit firm of The Virtus Group LLP be appointed to carry out the audit function for 2023.”

Carried

13.0 The Election of Directors

Report from the Nominating Committee Chair – Richard Woodvine

He also thanked the retiring board directors Romuald and Shaz for there dedication and contribution to the Board over the years.

Motion:

Moved by: Richard Woodvine Seconded by: Jan-Mark Gustafson

“That the four nominees: Marian Voth, Les Smith, Craig Senick and Stephen Hopkins be declared elected to the Board of Directors by acclamation for 3 year terms.”

Carried

**76th Annual General Meeting
of the
Saskatoon City Employees Credit Union
March 21,2023**

14.0 New and Other Business:

- Motion to approve Bylaw Amendments

Saskatoon City Employees Credit Union Board of Directors is bringing forth a proposal to amend the current bylaws.

Director Richard Woodvine presented the recommended proposal. The membership will have to approve the recommendation by the Board by voting on the motion by secret ballot. After this secret ballot voting was conducted the votes were counted.

Motion:

Moved by: Richard Woodvine

Seconded by: Steven Hartmann

“That the amendments to the Saskatoon City Employees Credit Union bylaws be approved as presented”

Carried by secret ballot

Motion:

Moved by: Marty Irwin

Seconded by: Allen Beck

“to destroy the ballots for the vote of the proposal to amended the Saskatoon City Credit Union’s bylaws”

Carried

- Boyd Johnson Memorial Scholarship Awards Presentation
Chair Marian Voth and General Manager Dennis Lozinsky announced the Boyd Johnson memorial awards to this year’s recipients, Gracelyn Deutscher and Kelly Unrau.
- Long Service Award
The Credit Union recognizes and congratulates Michelle Lane with her 25 years of service.
- Other new Business
- Door Prizes

15.0 Adjournment:

Motion:

Moved by: Chris Phippard

Seconded by: Romuald Lagace

“That the Annual General Meeting for 2022 be adjourned.”

Carried

Time: 8:40 pm

THE BOARD CHAIR'S REPORT

FINANCIAL HIGHLIGHTS

Top Financial Challenges Throughout the Year included:

- (1) **Interest rate margin compression** is arguably the biggest financial challenge that your credit union faced in 2023. SCECU generates interest income from loans, mortgages, and investments. It also incurs interest expense on member deposits such as savings accounts, RRSPs, and RRIFs. The margin between interest income and interest expenses must be sufficient for the credit union to remain sustainable.

In 2023, interest rates went up numerous times throughout the year. To remain competitive, the credit union increased its interest rates (expense) on new and renewable deposits. At the same time, many loans were still locked in at lower rates (income). Typically, when interest rates increase, the demand for loans decreases and deposits increase; however, these transactions occur almost daily at different times throughout the year. This means that the margin between interest income and interest expense constantly changes. Remaining profitable in a very competitive industry is a difficult balancing act requiring constant vigilance on the part of your credit union's management team.

- (2) Implementation of the **mortgage stress test** also has had an impact on the demand for residential mortgages which make up by far the largest number of loans. Since regulators expanded the mortgage stress test to all new mortgages, members must now prove that they can afford payments at a qualifying interest rate (higher than the actual mortgage rate). This has made it more difficult for some members to qualify for a mortgage thereby further reducing the credit union's ability to lend out funds.

- (3) Increased loan delinquency due to **higher inflation**. Although SCECU has experienced much less loan delinquency than most other financial institutions, higher inflation has had an impact on our members ability to repay their loans. It takes more time for staff to keep on top of potential problems and work with the members to address their repayment difficulties.

Patronage Allocation – From the 2023 normal operations earnings of **\$181,295** (before patronage distribution and taxes), the Board approved a patronage allocation of **\$40,000** to be distributed in 2024.

Net Income - After tax and patronage disbursements, net income for the year was **\$129,105** increasing retained earnings (retained capital) from **\$7.46M to \$7.58M** at the end of the fiscal year. Your credit union is in a very strong capital position holding capital well in excess of the regulatory requirement at December 31, 2023, of \$5.145M.

Membership – The credit union experienced a net decrease in memberships from 2115 to 2081. New memberships totalled 128 and were comprised of individuals including signatories (91%) and new businesses (9%). Active memberships were reduced by 162 due to closure of dormant accounts (32%), deceased members (30%), transfer of accounts (8%), members who moved away (4%), and because memberships were no longer needed for various reasons (26%).

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 setting 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. Newer enhancements include an updated Facebook page, implementation of Small Business Member Direct, and enhanced digital member banking such as the ability for members to change their passwords themselves.

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 Synergy Credit Union for those who wish to invest in financial markets.

Marketing – The credit union recognizes that to achieve long term sustainability, attracting new members continues to be a high priority. To achieve this goal, your credit union strives to improve the number of services and products members expect in order to establish a greater share of their financial needs. Numerous marketing tools have been implemented including ongoing website improvements, promotional items displaying the credit union's logo, enhanced digital member communication, new online banking data masking, and offering online banking for small businesses. To further promote goodwill, the credit union celebrated Credit Union Day through advertising and providing coffee and donuts to whoever came to the office. As usual, the Board approved the donation of free breakfasts for those in need at the City's annual pancake breakfast. A sign was put up at the site to let people know these meals were available courtesy of the credit union. All Board Directors who were able to volunteer helped serve at the breakfast.

THE CREDIT UNION SYSTEM

As independent financial institutions owned and controlled by their members, credit unions are shaped by community needs. At December 31 2023, Saskatchewan credit unions ranged in asset size from \$50.48M to \$7.72B.

Nationally - At the national level, the Canadian Credit Union Association continues to take on a greater role in supporting the credit union system. This association 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

- For the first time in Saskatchewan, a credit union (Innovation) previously regulated by CUDGC, became federally regulated by the Office of the Superintendent of Financial Institutions (OSFI - the same regulator as all the big Canadian banks).
- Earl Grey Credit Union amalgamated with Radius Credit Union, combining their banking systems and service offerings, while still maintaining a branch at the former location.
- Three Saskatchewan credit unions, with a total asset size of \$2.13B, began discussing the possibility of a new partnership to ensure their combined, long-term sustainability.

- Currently, there are 32 credit unions in Saskatchewan with SCECU being 30th in asset size on the list and the only closed bond credit union in the province.
- The total population recorded in the province at the end of the year was 1,218,976 people. CUDGC documented that Saskatchewan credit unions provided services to a total of 444,614 members (and 63,368 non-members) at 193 locations across the province. Clearly, credit unions continue to be a strong, viable option to meet Saskatchewan's banking needs.

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 at least one charity that makes a significant difference to people in the community. In 2023, the Board chose to donate \$1,000 to the Prairie Hospice Society as well as \$1,000 to the Friendship Inn.

- 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's Friendship Inn is a welcoming, community centre providing up to 1,000 free, nutritious breakfast and lunch meals, every day of the year. The Friendship Inn also provides referrals and programming that addresses the needs of the people where they are at.

The Boyd Johnson Memorial Scholarship - The Board finalized its review of the criteria used to award scholarships approving that family members of staff, that met the criteria, could apply. In 2023, there were two applications for The Boyd Johnson Memorial Scholarship.

- The Board approved one scholarship of \$1,000 to **Sarah Hartman**, and a second scholarship of \$1,000 to **Jenna Roesch**. Both recipients have achieved amazing scholastic and volunteer accomplishments.

Credit Union Bylaws – During 2023, the Board continued the ongoing review of its bylaws to ensure they maintain compliance with the most current Saskatchewan Credit Union Act and Credit Union Regulations. Our Bylaws regulate how the credit union carries on its business.

- Background
The Credit Union Act and Regulations were updated by Legislation in 2021. The Board approved modifications to our Bylaws in December 2022 for pre-approval by the Financial and Consumer Affairs Authority of Saskatchewan (FCAAS). These Bylaw changes were then approved by our membership at the AGM held in March 2023. The next AGM to be held in March 2024 will be the first annual meeting where the new processes will be used.
- Changes to the Bylaws
Article 5 - Directors (5.1, 5.2, 5.4, & 5.5) included revisions to permit remote or hybrid AGM meetings and electronic voting. Regulations now also mandate the timing of Board member nominations and elections. Beginning in 2024, Board elections will take place prior to the AGM, with electronic and in branch voting options available to our members. The changes require the Board to implement the nominating and election process well in advance of the next AGM.

Annual External Audit Review - The Audit Review Committee approved the credit union's audited statements for 2023 presented by the Virtus Group LLP to the Committee. 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. There were no significant outstanding audit issues. The auditors commended the credit union's management and staff on their excellent operational performance. Note that the external auditors are independent, are appointed by the members annually, and report directly to the members at the credit union's Annual General Meeting.

Annual Internal Audit Review - The Board received its annual report from the Internal Auditors. While the report was positive overall, a few "best practices" shortfalls were listed with the recommended action plans to address them. Management and the Board discussed the report and most improvements have been implemented. One issue remains to be addressed in 2024.

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 annual ERM updates to the Board and quarterly updates to the risk management plan including the Risk Appetite Dashboard. CUDGC, the credit union's regulator, distributes a quarterly, comprehensive ERM report which management and Board members review and consider when discussing enterprise risk management issues.

BOARD DEVELOPMENT

Annually, each Director of the Board:

- Reviews the Carver Model of Governance including how the utilization of this model impacts on the way that the credit union conducts its business.
- Reviews and signs off on the Board's Code of Conduct, and the credit union's Market Code.
- Completes two on-line courses provided through ABC Solutions Inc..
 - The Credit Union Privacy Act (PIPEDA). Focuses on understanding 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.
 - Anti Money Laundering and Terrorist Financing (AML). Focuses on understanding the role of all credit unions in combatting 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 our credit union the financial institution of choice for our members. Also, many thanks to the board of directors who volunteered their time and expertise freely.

Finally, I would like to thank the credit union's members for their continued patronage and support.

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 2023

January 2024

Credit Union Deposit Guarantee Corporation (the Corporation) functions as the deposit guarantor for Saskatchewan credit unions and serves as the primary regulator for credit unions and Credit Union Central of Saskatchewan (SaskCentral). Collectively, these entities are referred to as Provincially Regulated Financial Institutions or "PRFIs". The Corporation operates under provincial legislation, namely, *The Credit Union Act, 1998* and *The Credit Union Central of Saskatchewan Act, 2016*. The responsibility for overseeing the Corporation is assigned to the Registrar of Credit Unions at the Financial and Consumer Affairs Authority of Saskatchewan as stipulated by provincial legislation.

Established in 1953, the Corporation holds the distinction of being the first deposit guarantor in Canada, ensuring the successful guarantee of deposits. Through the promoting of responsible governance and prudent management of capital, liquidity, and guaranteeing deposits, the Corporation plays a crucial role in fostering 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.

Quick Facts

(as of December 31, 2023, unless otherwise indicated)

- There are 32 provincial credit unions and one federal credit union in communities across Saskatchewan.
- Provincial credit unions offer financial products and services to close to 445,000 members.
- Saskatchewan provincial credit union assets reached \$26.4 billion with revenue of more than \$1.3 billion.
- Provincial credit union lending amounts were more than \$19.7 billion.
- There are more than 300 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 provincial credit unions range in asset size from \$50.48 million to more than \$7.7 billion.
- In 2023, Saskatchewan provincial credit unions returned over \$7 million to their members in the form of patronage equity contribution and dividends.
- Provincial credit unions are a major contributor to Saskatchewan's economy, employing close to 3,000 people.
- Funds held on deposit in Saskatchewan provincial 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."

- **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 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.

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 7th, 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, 2023, Saskatoon City Employees Credit Union had 2081 members and 16 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 respective 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, FHSA) ancillary financial services including US \$ chequing accounts, member debit cards, safety deposit boxes, on-line 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 and wealth management services.

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 Processes, and d) People Performance and Development.

Our key strategic objectives remain relevant in 2023. These strategies are; a) to pursue initiatives to support our long term sustainability by optimizing revenues, control expenses and grow risk-weighted assets, b) to develop a proactive member centric sale culture to increase the number of full service members; c) to ensure our branch footprint increases our relevance to current and future members, and d) ensure our employees have the training and professional development opportunities to serve our members with confidence.

The results of our activities in 2023 are: a) our net earnings have significantly declined from our average earnings and the result is we have not achieved our ROA (Return on Assets) target of .35%-.50%. Without the patronage allocation our ROA of 0.23% remains less than our target ROA, as does our after-tax ROA at 0.17%. Our loan portfolio increased, assets basically remained flat, member deposits, and investments decreased. Although, our net earnings were less than average, the board, was able to **declare** a patronage dividend of \$40,000 from 2023 earnings to be paid in 2024; b) to develop a member centric sales culture we contracted with a

Credit Union partner to deliver a member centric sales program to all the Credit Union employees in 2024. We also defined a 2024 full-service member as having at least 3 of 5 services with our Credit Union (a deposit account with a member card, automatic payroll or pension deposit, a loan/credit product, an investment account, or a Collabria credit card); c) we continue to improve on service delivery channels and security features to safeguard our members plus regular reviews of our processes are undertaken to ensure quality member service, building member's trust, confidence, and satisfaction. Our effective processes are confirmed by our audit reports; and lastly, d) we continue to provide training opportunities for staff and management, by cross training and using online learnings and webinars, to enhance our competencies and to keep pace with the increasing complexities in 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, 2023.

Financial Performance:

Balance Sheet Analysis:

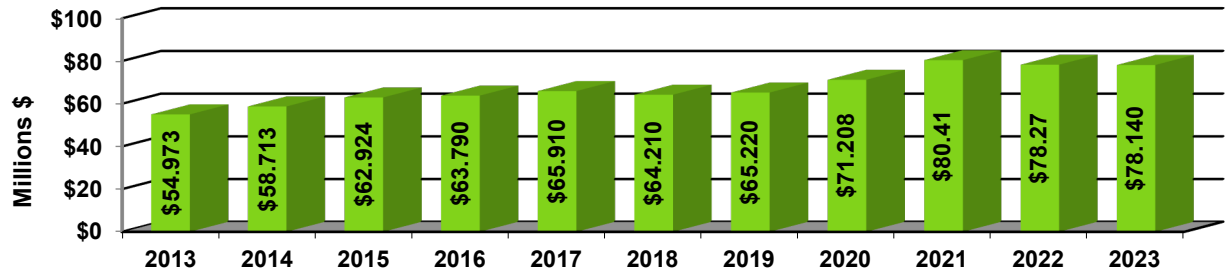
Our assets decreased year-over-year by (0.17%) or (\$132K) to end 2023 at \$78.1M from \$78.3M in 2022. This compares to the 2022 decrease in asset growth of (\$2.14M) or (2.67%) and 2021 increase in assets of \$9.2M or 12.93%.

A year over year comparison shows our loan portfolio increased in 2023 by 2.12% or \$1.1M to end the year at \$53.28M. This compares to 2022's increase of 2.41% or \$1.22M and 2021's loan decrease of (2.91%) or (\$1.53M).

Our investments had decreased year over year by (\$873K) or (4.63%) to end 2023 at \$18.0M. In 2022 investments decreased by (\$435K) or (2.25%), while 2021, we saw an increase in investments of \$9.7M or 101%. Our cash holdings increased from 2022 to 2023 by \$571K or 9.31% with cash deposits totalling \$6.71M up from \$6.14M in 2022. Cash Holdings include term investments maturing within 90 days of December 31, 2023 of \$5.79M. Actual cash holdings of \$0.91K represents 1.17% of total assets.

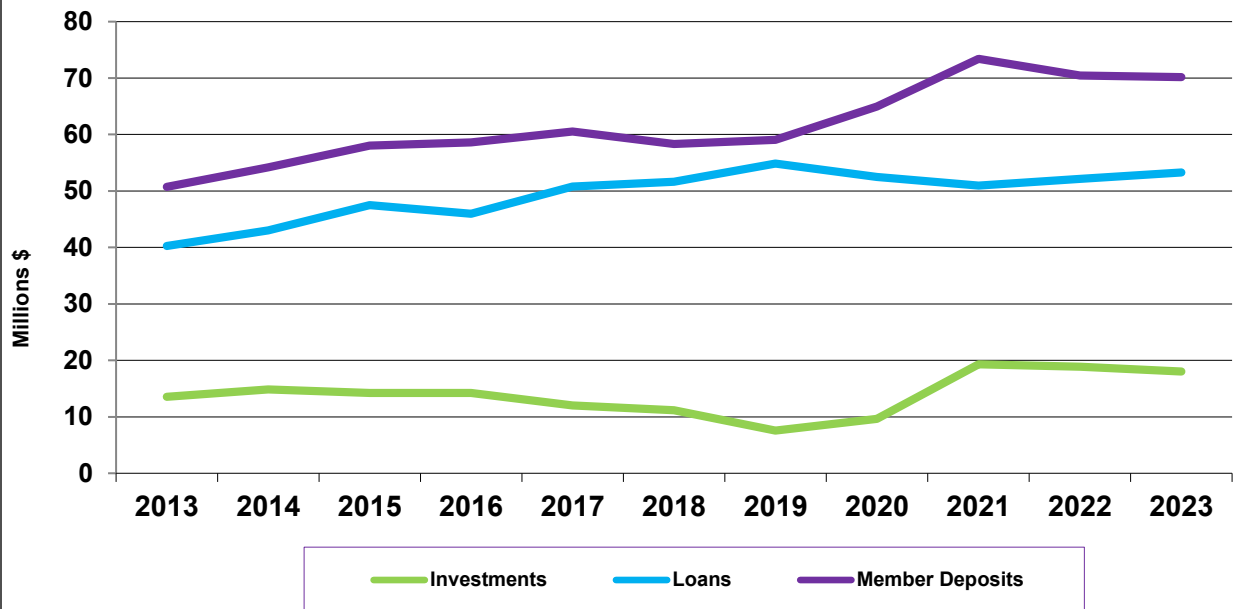
Member deposits decreased year-over-year by a rate of (0.45%) or (\$318K) to \$70.15M as of December 31, 2023, compared to the prior year member deposits of \$70.46M. This compares with 2022 results which saw a year over year decrease of (\$2.94M) or (4.01%). It should be noted that 2023 member deposits include \$829K of accrued interest compared to \$352.7K in 2022 reflecting the increase in interest rate paid on member deposits and a shift by members from low-rate chequing and savings accounts to higher interest yielding termed deposits.

2023 Asset Growth



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.

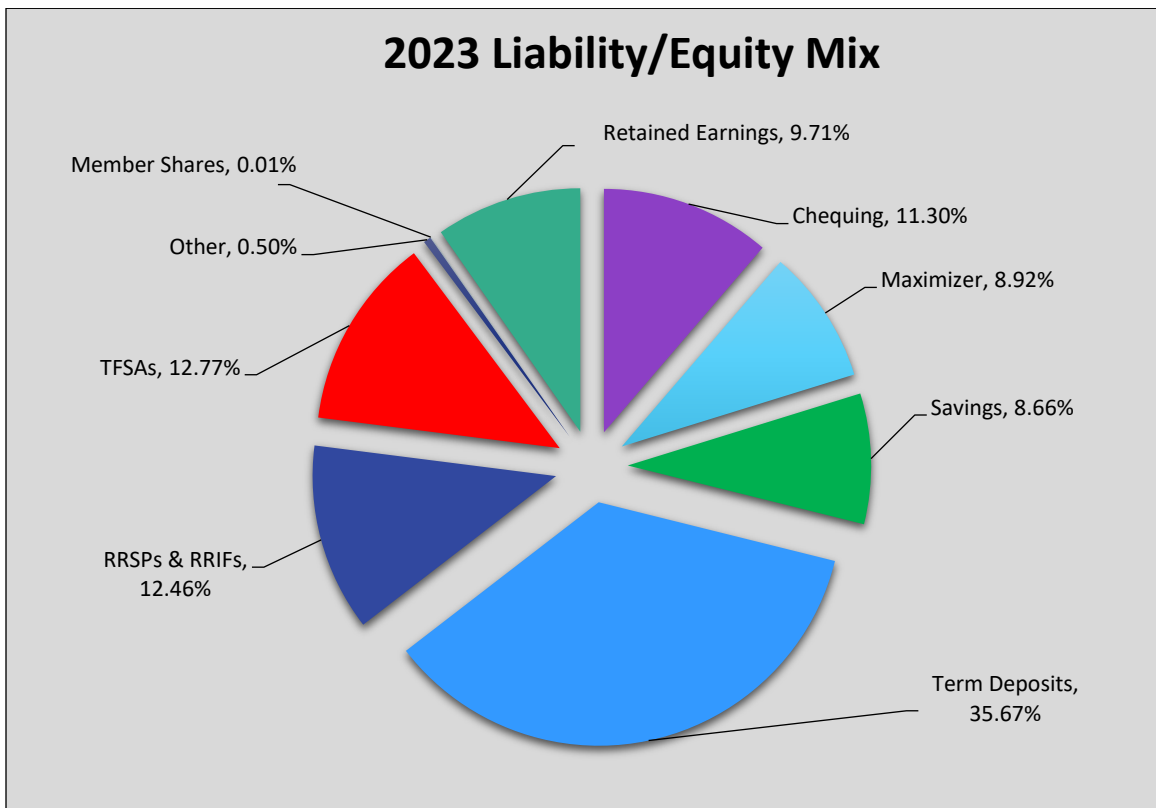
2023 Investment, Loan, Member Deposit Growth



The following is an illustration of our asset composition as of December 31, 2023. 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, 2023.



Credit Management:

Credit risk is the risk of loss arising from a borrower or counterparty's inability to meet its obligations. Our statutory liquidity investments are held with SaskCentral and 100% insured by Credit Union Deposit Guarantee Corporation. Our excess liquidity investments are held with Canadian Western Bank (rated A-low), HSBC (rated A-high), Royal Bank (rated AA-high), and EQ Bank (formerly Concentra Bank), rated BBB by DBRS Morningstar signifying a low risk of failure and good prospects for ongoing viability. We consider our primary risk to be associated with loans. As of **December 31, 2023**, we had a total loss exposure, which are all loans 90 days or more delinquent, of **one (1)** loan for a total of **\$36,393 or 0.07%** of our total loans. This compares to **December 31, 2022**, of two loans for **0.01% or \$5,459**. The 2023 average for the Saskatchewan Credit Union system is **0.73%**.

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 **\$211,318**. As of December 31, 2023, we hold **\$211,260** in loan loss provisions. Our **impaired loan** loss provision, for **2023 is \$36,393 or 0.07%**. This compares to 2022's loan loss expense of \$5,459 or 0.01%. In **2023**, we wrote off two (2) loans for \$10,603, in 2022 we wrote off **zero (0)** loans, and in 2021 we wrote off **three** loans for **\$15,911**.

Loan Portfolio Mix:

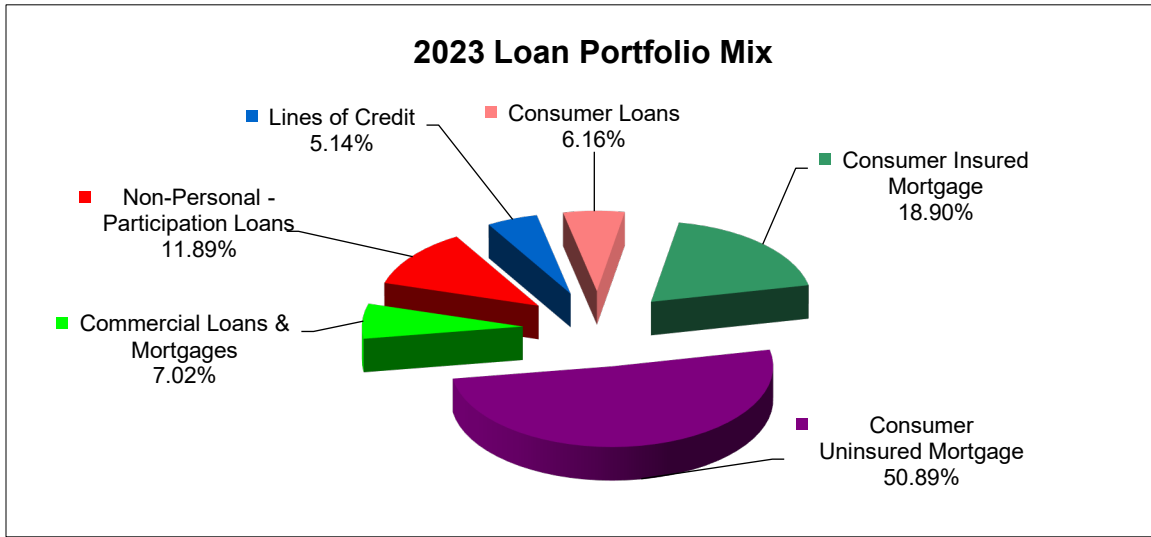
An increase in our loans and the minimal decline in our assets resulted in our loan to asset ratio for 2023 to increase to **68.19%** (**66.66%-2022; 63.36%-2021; 73.69%-2020**) of our assets. As this ratio is an indicator of our liquidity risk our regulator monitors this ratio. The target loan to asset ratio is 80.0%. Our loan demand improved and resulted in an increase in our loan portfolio of **2.12% or \$1.11M**, compared to an increase in **2022 of 2.41%**. Our loan portfolio is predominantly consumer credit representing as of December 31, 2023, 81.09%, (79.75% for December 31, 2022), of our total loan portfolio. Personal mortgages, less possible loan loss allowances, comprise 86.06% of the consumer loan portfolio compared to 86.98% the prior year. Our consumer mortgages, less possible loan loss allowances, represent 69.79% (2022-69.37%) 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 risk appetite statement provides management with options to diversify the loan portfolio to optimize our current capital and pursue potentially higher earnings.

Our loan portfolio mix is illustrated in the chart below as of December 31, 2023.

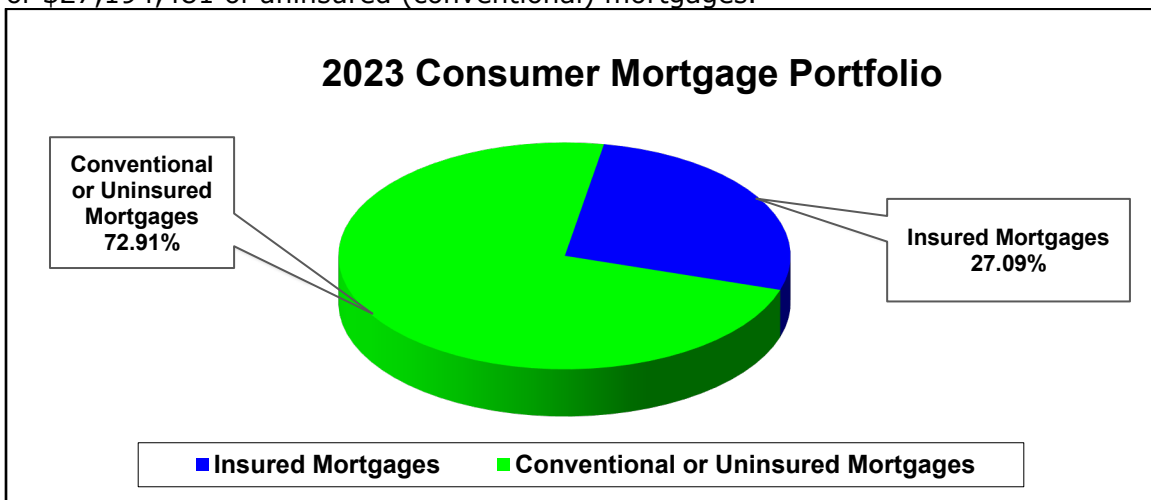


An insured mortgage is a mortgage on a principal residence in which the mortgage debt is insured for default by Canada Mortgage Housing Corporation (CMHC) or an approved private insurance provider, for mortgages with less than a 20% down payment but with a minimum down payment of 5%. The insurer provides 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 low risk with a very high probability of full repayment as our lenders fulfill all underwriting requirements and follow our lending policies and practices which, are compliant with the Standards of Sound Business Practice. 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 \$37,266,822 includes principal and accrued interest and is comprised of \$10,072,341 or 27.09% insured mortgages and 72.91% or \$27,194,481 of uninsured (conventional) mortgages.

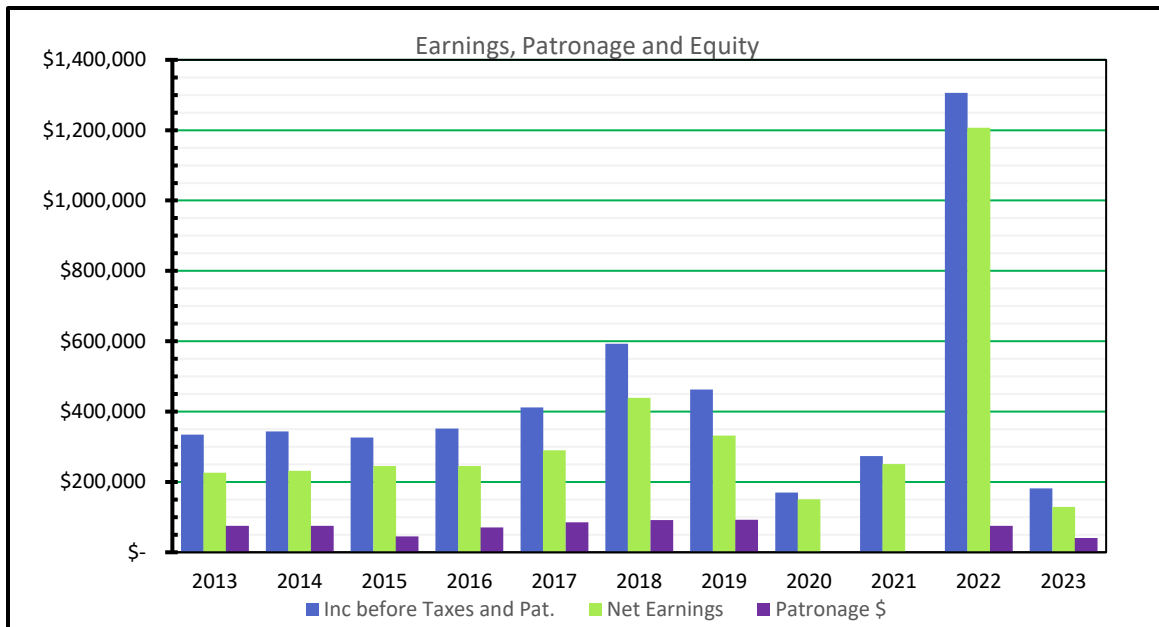


Capital and Profitability Management

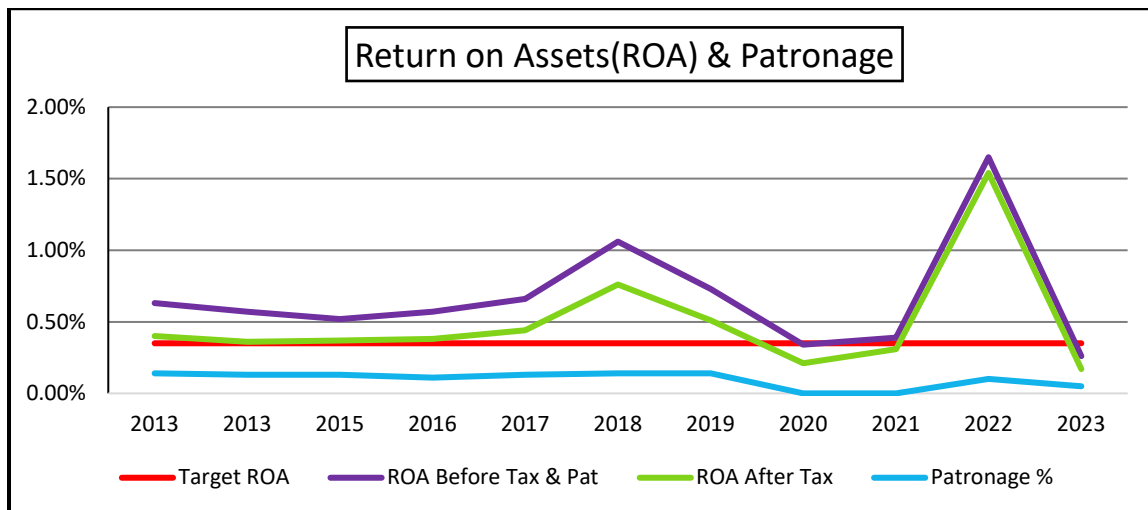
Return on Assets (ROA):

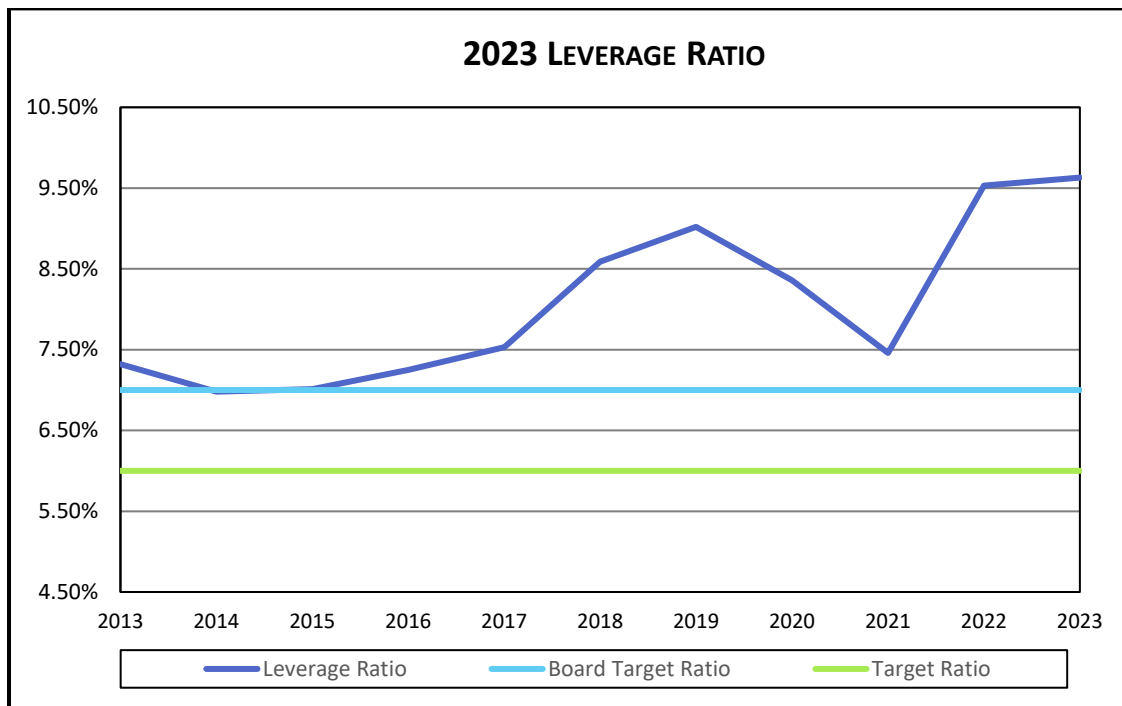
Profitability is another indicator of the Credit Union performance measured by the return on assets. ROA is net income generated compared to the assets of our credit union. Our ROA "after tax" from operations, as of **December 31, 2023**, is **17 basis points**, and a ROA of **26 basis points** "Before patronage and tax allocation".

This compares to the system ROA "after tax" of 45 basis points and the ROA "before patronage and tax allocation" of 48 basis points. Our ROA as of December 31, 2022 was 32 points before the Concentra dividend and 154 basis points with the Concentra dividend for 2022 and (31 basis points - 2021). Ideally a ROA would be between 50 and 75 basis points. Your board has set a ROA target of 35 to 50 basis points.



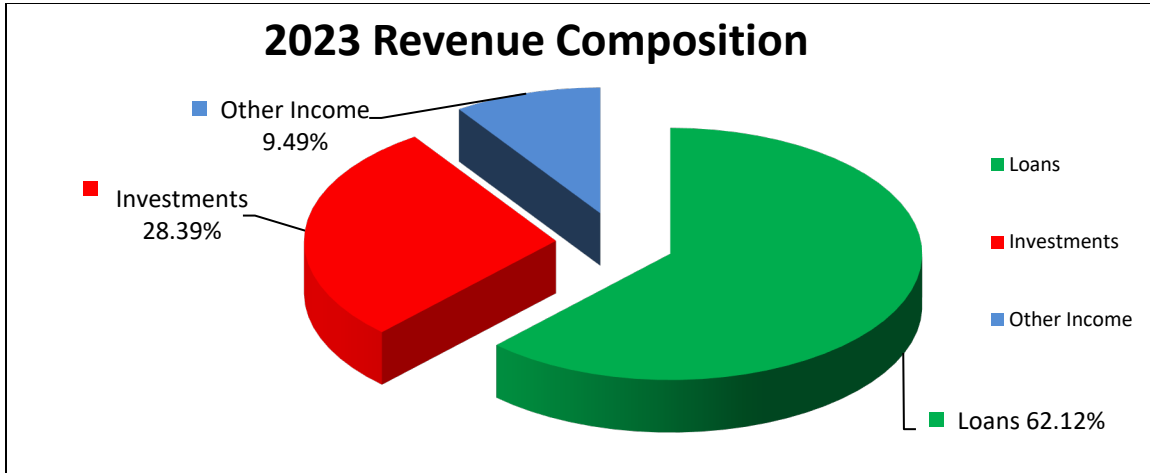
This chart illustrates the relationship between ROA and patronage paid.



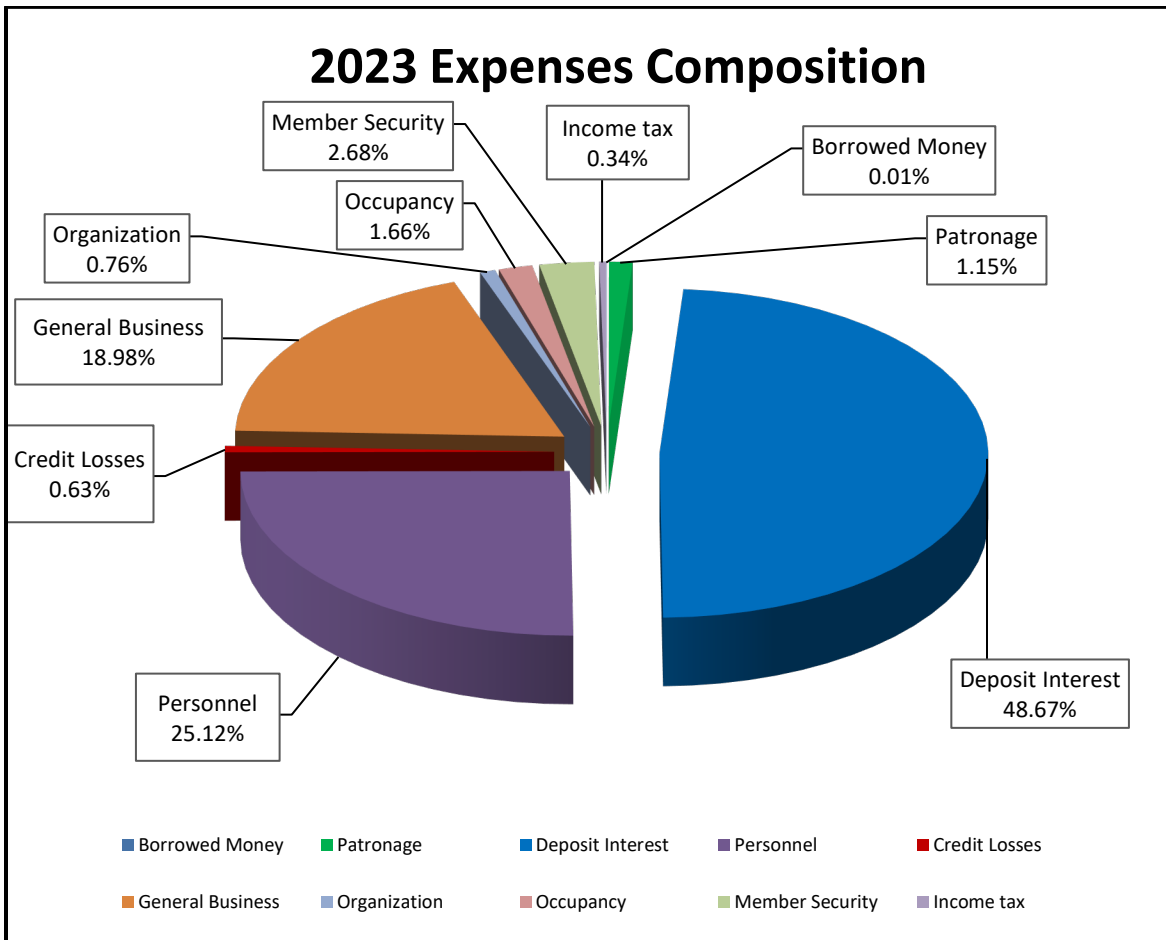


Our 2023 net earnings of \$129,105 is less than 50% of our 10-year average excluding 2022's net annual earnings of \$1,206,762. The average net earnings for the previous 10 years are \$272,015. The explosion in 2022 earnings is an extraordinary, one-time dividend payment of \$958,027 as our share of the sale of Concentra Bank.

Revenue composition includes loan interest, investment, and non-interest income. Our loan revenues increased while investment and non-interest income decreased. Our year over year comparison reveals loan revenues increased by 13.99% as a result of higher interest rates and a larger portfolio. Our investment income decreased by (24.83%) from 2022 however 2022 includes the Concentra dividend. If you exclude the one-time Concentra dividend, our investment income increased by 147.75% due to investment yields improving on renewals. Our non-interest income decreased by (17.09%) partially due to no further government subsidies and lesser insurance sales and fewer mortgage rate buydowns. Fortunately, our revenues were sufficient to meet regulatory expectations of growth, development, safety, and financial soundness. Therefore, your board have approved a patronage refund from 2023 earnings of \$40,000 to be paid in 2024, without putting the Credit Union at unnecessary risk. The residual of \$303 was paid in 2023. We are still able to maintain our leverage ratio above the 7.0% minimum at 9.63% and achieve an ROA after tax of 17 basis points.

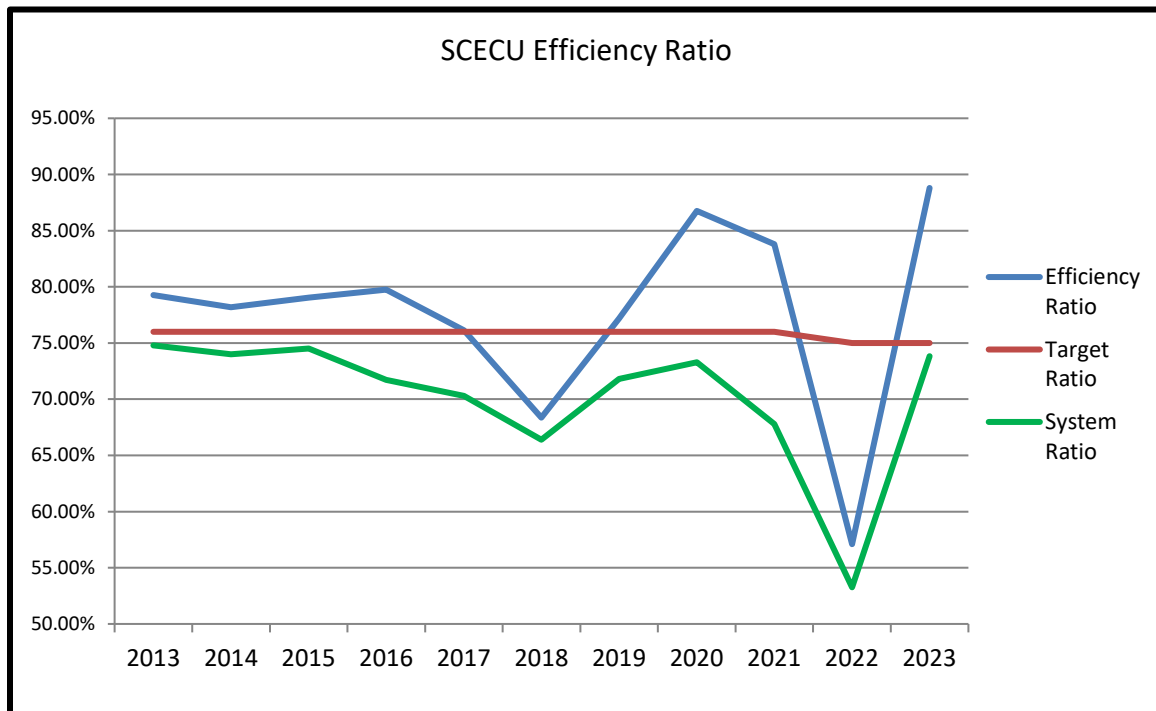


Our expenses are comprised of member deposit interest, interest on borrowed money, patronage, credit losses, operating expenses (general business, occupancy, organizational, personnel and member security) and taxes. Our member deposit interest expense increased by 125.6% due to higher interest rates despite lesser member deposits. The chart below illustrates our expense breakdown.



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, 2023, is 88.80%, (2022 – 57.1%), (2021 – 83.81%)** while the Saskatchewan Credit Union system **ratio is 73.83%** for December 31, 2023, and **53.26%** for 2022. We did not reach our goal to have an operating efficiency of 76.0% or less. 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, 2023, our LCR is **599.2%**, well above the current requirements of 100%, while the credit union system is at **207.45%**.

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, 2023 to be 117.70% of our requirement. 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 2024.

People

Members

In 2023 our memberships decreased by (1.61%) from 2115 members to 2081 members. There were 128 new member records opened and 162 member records closed. As of December 31, 2023, we also have 16 non-members utilizing our services. In 2022, 110 new member records were opened, and 150 member records were closed for a decrease of 40 (1.89%) and (2.850% decrease – 2021). The Credit Union system experienced a membership increase of 1.53% in 2023.

Directors

The board of directors has determined the board will operate with 9 members. There are three positions available as of the date of our annual general meeting on March 19, 2024, one for a one-year term and two each for three-year terms. One (1) incumbent, Richard Woodvine, has offered to let their name stand and seek re-election to the board. The remaining two positions are vacant as Stanley Macala having served on the board from 2012-2024 has served the maximum of 12 consecutive years with our board. Martin Irwin has resigned effective March 19, 2024, with one year remaining on his term. Marty served on the board from 2016-2024. We thank all the members of the board for their service to the Credit Union and extend our appreciation to Stanley Macala and Marty Irwin for their commitment, dedication, 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 12 members consists of 8 full-time and 4 part-time employees with a 3-member management team. Our nine (9) staff are unionized, and we will be negotiating a new Collective Bargaining Agreement (CBA) in 2024 as the current CBA expires December 31, 2023. We've seen a few personnel changes in 2023. We bid farewell to Charlotte who resigned to pursue other endeavours.

Joining our team in July 2023 is Tianna Euteneier, as our marketing coordinator term position stepping in for Stephanie Serblowski who is on maternity leave. Shivani Shivani joined our team in August 2023 as our member service representative.

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

Summary

This past year our Credit Union had measured success as we dealt with an (3) interest rate increases from the Bank of Canada from January to July driving up our prime rate 75 percentage points in 6 months from 6.50% to 7.25%. Inflation rates remain elevated enough through the remainder of 2023 leading the Bank of Canada to hold their key interest rate steady at 5.0%.

The highlights for 2023 was, (a) Upgrading of our online banking and mobile app features to Forge 2.0 platform; (b) Implementing MemberDirect for Small Business for our business and organization members; c) Migration of online bill payments from Central 1 to Prairie Payments Joint Venture (PPJV); c) online banking data masking; d) our online banking self-serve PAC reset, e) introduction of the First Home Savings Account (FHSA), f) committed to Celero's Zero-Trust project to improve security for our members, and g) signing a new three(3) year lease with the City of Saskatoon with the prospects of changing our office location.

Our net earnings from regular operations in 2023 is well below the previous ten years as we strive to manage a shrinking interest margin as interest rates continued to rise for the first half of 2023 and then remained flat for the second half of 2023.

Despite the challenges our Credit Union still managed to attract new memberships, increase loans, produce positive net earnings, continue to 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 2024 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 2024 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.

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 LP and Company Inc. to assist our Credit Union in developing complete updated and integrated Capital, Liquidity, Strategic and ERM 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.

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. Our discussions identified eleven (11) categories of risk namely, credit, liquidity, emerging, earnings, reputation, human resources, operational, strategic, market /interest rate, information technology, and legal/regulatory. As most of the risks remain relevant in 2023 the board and management reviewed ten (10) risks. 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 thru ICAAP analysis and an annual update report. 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 ensure our physical branch footprint increases our relevance to our members(current and future); 2) failure to develop a proactive member centric sales culture for the benefit of our members and increase the number of profitable and sustainable membership; 3) inability to 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. To manage the risk to an acceptable moderate severity the following strategies were implemented: i) we will have efficient and effective processes to maintain up-to-date

practices and control expenses. 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. We will develop comprehensive IT strategy to ensure our systems are secure and positively impact member experiences. ii) We will define a full-service member, be proactive in member service, leverage analytics to better understand our member and deliver a superior member experience across multiple channels. We have defined a full-service member as having three of five services with SCECU, contracted a facilitator for 2024 to train the employees on a member centric sales culture. iii) Encourage ongoing board development to deal with the complexities of the financial services industry. 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. iv) We will increase the number of full-service and sustainable members. We developed a comprehensive marketing strategy to bring an awareness of SCECU amongst city employees leveraging digital channels with the City of Saskatoon, and social media and continue to work with the City of Saskatoon Communications Department to promote our employee-based Credit Union. All four risks have a residual risk severity of moderate or 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 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 8.65% 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, 2023, our LCR is **599.20%**, 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, 2023, our loan to asset ratio is **68.19%** well below our board target of 80% and increasing our loan portfolio will be a focus for management in 2024. 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, EQ Bank (*Formerly Concentra Bank*) or other Schedule I banks with a DBRS rating of AA-High to BBB with a low risk of default, 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. Corresponding 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 and all such purchases are with the board's risk appetite. 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, 2023, our total loss

exposure, which is all loans 90 days or more delinquent, is one (1) loan for a total of \$36,393 or 0.07% (\$5,459 or 0.1% - 2022).

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 qualifying requirements and stress tested. We will continue to diversify our loan portfolio to maximize our returns while remaining compliant with regulatory standards and the board's risk appetite by supplementing our loan portfolio with syndication of loans, participation loan purchases and investigate lease financing. As of December 31, 2023, we have funded or participated in, a total of \$6.307 Million with EQ Bank (Wyth Financial) and Synergy Credit Union-New Community Branch versus \$7.64 million in 2022.

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 2023 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 member centric 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. We have signed a new 7-year deal with Celero to provide our core banking services commencing January 1, 2016, and expire December 31, 2023. Then in 2021 we 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, two factor authentication, encryption of data, authority levels, dark web monitoring 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, security alert notification, lock'n block feature and self-serve password reset functionality.

A renewed three-year contract with Brightside Consulting Services Ltd. to perform internal audits to expire December 31, 2025. Internal audit assists us in ensuring appropriate policies and procedures are in place.

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 being mindful of competitor pricing. 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 General Manager, 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 is a significant portion of current employees could retire soon and trigger significant loss of knowledge and member relationships inhibiting our ability to achieve our strategies and deliver the desired member experience.

SCECU accepts this risk and will manage the risk 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 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, Celero resources and CCUA educational resources. Celero currently provides dark web monitoring, email protection, network protection, and endpoint protection including Preventative Care desktop services. Celero will be migrating to a zero-trust initiative to better manage and secure their systems and Credit Union systems. Central 1 currently provides secure internet banking (Forge 2.0) with two-factor authentication and protection services such as data masking, network security, and platform/application security, near real time fraud monitoring and Central 1 also manages our secure website. The Credit Union carries cyber security insurance against losses through Marsh Canada Limited to mitigate our loss exposure.

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 2024. 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.

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).

Saskatoon City Employees Credit has contracted 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."*

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.

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.

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 prior to annual general meeting. Effective March 21, 2023, the membership approved bylaw changes to have director elections held prior to the annual meeting, therefore for our 77th Annual General Meeting director election will be in advance of the 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 or members at large and will close 21 days before the voting period. The voting period will not exceed 14 days and will close at least 7 days prior to 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. The board is in the process of reviewing this committee and the duties to separate the audit and risk functions.
- Nominating Committee
The Nominating Committee consists of two 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 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 an appropriate Board motion noting absences are for "just cause".

In 2023 the board of directors held eleven (11) regular meetings, one re-organizational meeting and three (3) audit meetings. Attendance ranged from a low of 73% 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 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 2023 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. 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. 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.
- 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 Internal Capital Adequacy Assessment Process (ICAAP) analysis is performed on a quarterly basis and reported to the board accordingly. Saskatoon City Employees Credit Union has performed an ICAAP analysis 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 15.12% of our risk-weighted assets as of December 31, 2023.

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

CUDGC's - Minimum Capital – as a % of Risk-Weighted Assets			
	2023		
	Common Equity Tier 1	Total Tier 1	Total Eligible Capital
CUDGC Minimum Ratio Regulatory Limits - (<i>as a % of risk-weighted assets</i>)	7.0%	8.50%	10.50%
Saskatoon City Employees Credit Union Targeted Ratio	7.0-10%	8.50-10%	10.5-15%
Saskatoon City Employees Credit Union ICAAP Analysis	-	-	15.12%
Saskatoon City Employees Credit Union Achieved 2023	21.88%*	21.88%*	22.53%*
	December 31, 2022		
	21.29%*	21.29%*	21.89%*

*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 16.43% as of December 31, 2023.

Our total capital ratio increased slightly from the previous year end of 2022 with a surplus of $(22.53\% - 15.12\%) = 7.41\%$ 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

Leverage Ratio			
CUDGC Minimum Standard	SCECU Board Target	2023 Results	2022 Results
5.00%	Not less than 7.00%	9.63%	9.5%

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 2024 to optimize our capital position. These ventures may expose the Credit Union to more risk but within the board's risk tolerance, and 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

Saskatoon City Employees Credit Union

Listing of Board of Directors & Staff

Effective: March 21st, 2023

Board of Directors

Name	Department	Start Date	Term Expiry
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 - 2022	AGM - 2025
Martin Irwin	Retired – Provincial Court Judge	AGM - 2016	AGM - 2025
Alyson Edwards-Price	Strategic Communications -SPS	AGM - 2022	AGM - 2025
Marian Voth	Accountant- Retired	AGM - 2017	AGM - 2026
Lesley (Les) Smith	Retired- Corp Serv-Assessor Dept.	AGM - 2020	AGM - 2026
Stephen Hopkins	Transit Operator	AGM - 2023	AGM - 2026
Craig Senick	Facilities Manager-Utilities & Environ	AGM - 2023	AGM - 2026

Executive

Effective: March 21st, 2023

Board Chair	Marian Voth
Board vice Chair	Richard Woodvine
2 nd Vice Chair	Lesley (Les) Smith
Director	Allen Beck
Secretary	Graeme Bittner
Treasurer	Dennis Lozinsky
Past Chair (non-voting)	Jan-Mark Gustafson

As of: March 21st, 2023, **Staff**

	<u>SCECU Hire Date</u>	<u>with SCECU</u>	<u>Total CU Service</u>
Gail Gillard	Jun 17, 1985,	37yrs 9 months	37 years 9 months
Michelle Lane	April 17, 1996	26yrs	26 years
Charlotte McCracken	Nov 5, 2003	19yrs 3 months	27 years 3 months
Stephanie Serblowski(P/T)	Sept 3, 2014,	8yrs 6 months	9 years 10 months
Sophie Korol	Sept 17, 2019,	3yr 6 months	3 years 6 months
Scott Roesch	Nov 15, 2017,	5yrs 4 months	28 years 7 months
Graeme Bittner	Jun 20, 2011,	11yrs 8 months	17 years 3 months
Dennis Lozinsky	Jun 5, 2000,	22yrs 9 months	37 years 6 months
Steven Hartmann	Jun 2, 2021,	1yrs 9 months	1 years 9 months
Charlene McClean (P/T)	Aug 4, 2021,	1yrs 7 months	
Laurel Anthony (P/T)	Oct 12, 2022,	5 months	



COS Long Service Awards



Friendship Inn Donation



Team Celebration

Staff Event



Halloween Fun



Orange Shirt Day



Scholarship Award



Christmas Attire



ACT OF KINDNESS
can make a
BIG IMPACT

Buy a ticket for someone in need of a warm breakfast.
If you are in need of a warm breakfast,
please take a ticket and enjoy!

COS Pancake
Breakfast

Proudly sponsored by and in support of our community.



SASKATOON CITY EMPLOYEES CREDIT UNION

SASKATOON, SASKATCHEWAN

**INDEPENDENT AUDITORS' REPORT AND
SUMMARY FINANCIAL STATEMENTS
DECEMBER 31, 2023**

MANAGEMENT'S RESPONSIBILITY COMMUNICATION

To the Members

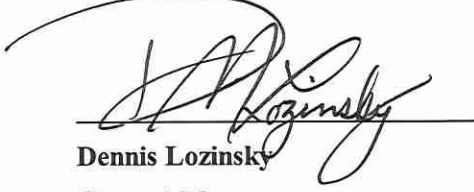
Saskatoon City Employees Credit Union

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, 2023, 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, 2023.

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 29, 2024.

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 29, 2024

Saskatoon, Saskatchewan

Virtus Group LLP

Chartered Professional Accountants

SASKATOON CITY EMPLOYEES CREDIT UNION
SUMMARY STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023
(with comparative figures for 2022)

ASSETS

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 6,708,988	\$ 6,137,785
Investments	18,002,446	18,876,300
Loans receivable	53,277,828	52,172,647
Other assets	57,000	1,019,486
Property and equipment	89,424	61,221
	<u>\$ 78,135,686</u>	<u>\$ 78,267,439</u>

LIABILITIES

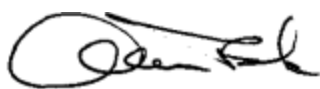
Deposits	\$ 70,146,187	\$ 70,463,740
Other liabilities	394,247	337,227
Shares	10,480	10,805
	<u>70,550,914</u>	<u>70,811,772</u>

MEMBERS' EQUITY

Members' equity	7,584,772	7,455,667
Accumulated other comprehensive income	-	-
	<u>\$ 78,135,686</u>	<u>\$ 78,267,439</u>

APPROVED BY:

 Director

 Director

SASKATOON CITY EMPLOYEES CREDIT UNION
SUMMARY STATEMENT OF CHANGES IN MEMBERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023
(with comparative figures for the year ended December 31, 2022)

	<u>2023</u>	<u>2022</u>
RETAINED EARNINGS		
Retained earnings - beginning of year	\$ 7,455,667	\$ 6,248,905
Net income	<u>129,105</u>	<u>1,206,762</u>
Retained earnings - end of year	<u>\$ 7,584,772</u>	<u>\$ 7,455,667</u>
ACCUMULATED OTHER COMPREHENSIVE INCOME		
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>
TOTAL EQUITY	<u><u>\$ 7,584,772</u></u>	<u><u>\$ 7,455,667</u></u>

SASKATOON CITY EMPLOYEES CREDIT UNION
SUMMARY STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023
(with comparative figures for the year ended December 31, 2022)

	<u>2023</u>	<u>2022</u>
Interest revenue		
Loan	\$ 2,261,784	\$ 1,984,186
Investment	1,033,861	1,375,325
	<u>3,295,645</u>	<u>3,359,511</u>
Interest expense		
Borrowed money	181	94
Member deposits	1,709,410	757,730
Patronage allocation	40,303	75,000
	<u>1,749,894</u>	<u>832,824</u>
Net interest	1,545,751	2,526,687
Provision for credit losses (recoveries)	<u>22,000</u>	<u>(14,541)</u>
Net interest after provision for credit losses (recoveries)	<u>1,523,751</u>	<u>2,541,228</u>
Other income	<u>345,406</u>	<u>416,624</u>
Operating expenses		
General business	666,849	706,598
Occupancy	58,228	58,011
Organizational	26,679	20,507
Personnel	882,311	850,403
Security	94,098	91,404
	<u>1,728,165</u>	<u>1,726,923</u>
Income before income taxes	140,992	1,230,929
Income taxes		
Current	9,987	24,367
Deferred (recovery)	1,900	(200)
	<u>129,105</u>	<u>1,206,762</u>
Net income before other comprehensive income	<u>129,105</u>	<u>1,206,762</u>
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	<u><u>\$ 129,105</u></u>	<u><u>\$ 1,206,762</u></u>

SASKATOON CITY EMPLOYEES CREDIT UNION
SUMMARY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023
(with comparative figures for the year ended December 31, 2022)

	<u>2023</u>	<u>2022</u>
Cash provided by (used in) operating activities:		
Net income	\$ 129,105	\$ 1,206,762
Items not involving cash:		
- Amortization	48,836	43,585
- Provision for credit losses (recoveries)	22,000	(14,541)
Patronage allocation accrued	40,000	75,000
Net change in other assets and other liabilities	1,054,506	(1,485,354)
	<u>1,294,447</u>	<u>(174,548)</u>
Cash provided by (used in) investing activities:		
Investments	873,854	435,319
Loans receivable	(1,127,181)	(1,210,898)
Property and equipment	(77,039)	(20,536)
	<u>(330,366)</u>	<u>(796,115)</u>
Cash provided by (used in) financing activities:		
Deposits	(317,553)	(2,943,986)
Patronage paid out	(75,000)	-
Shares	(325)	(200)
	<u>(392,878)</u>	<u>(2,944,186)</u>
Increase (decrease) in cash	571,203	(3,914,849)
Cash position - beginning of year	<u>6,137,785</u>	<u>10,052,634</u>
Cash position - end of year	<u><u>\$ 6,708,988</u></u>	<u><u>\$ 6,137,785</u></u>

SASKATOON CITY EMPLOYEES CREDIT UNION
NOTES TO THE SUMMARY FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(with comparative figures for the year ended December 31, 2022)

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, 2023 and December 31, 2022 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.
