



**2020**  
**ANNUAL**  
Report



**Saskatoon City Employees**  
Credit Union



**Saskatchewan**  
**Credit Unions**

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



## **Meeting Agenda**

### **74<sup>th</sup> Annual Meeting of the Saskatoon City Employees Credit Union March 23, 2021**

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 2020
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 2021
13. Election of Directors
14. New and Other Business
  - Long Service Award
  - Other New Business
15. Adjournment



## **Minutes of the Saskatoon City Employees Credit Union Annual General Meeting for 2019.**

Editor's Note: These minutes are transcribed from the PowerPoint presentation used by the Board Chair during the meeting to present the motions. The voting was done by on-line polling. An edited version of the recording of the AGM is available on the SCECU.com website. The original recording and the supporting record files are available upon request.

This AGM was held virtually via Zoom on September 15, 2020.

Originally scheduled for March 20, 2020.

Lockdown due to COVID-19 meant that an in-person meetings were not allowed at that time.

The Registrar of Credit Unions in Saskatchewan granted the SCECU an extension to September 30, 2020 to hold its Annual General Meeting.

### **1.0 Declaration of quorum.**

Number of members present: 22 members and 1 guest.

Minimum 15 members required.

Quorum is declared.

### **2.0 Call to Order**

Call the meeting to order; Time: 7:38 PM

Reminder: This meeting is being recorded.

### **3.0 Adoption of the agenda**

Moved by: Bill Davern Seconded by: Allen Beck

That the agenda be adopted as presented.

Carried.

### **4.0 Approval of the previous AGM minutes.**

Moved by: Marian Voth Seconded by: Don Davison

That the minutes of the previous AGM held on March 26, 2019 be amended as follows:

“Brian Heinrichs be identified as Partner in The Virtus Group, and

The spelling of Marian's name be corrected.”

Carried.

Moved by: Marian Voth Seconded by: Stan Macala

That the minutes of the previous AGM held on March 26, 2019 as amended be approved.

Carried.

## **5.0 Business arising out of the minutes.**

None.

## **6.0 Board Chair's Report.**

PowerPoint presentation.

## **Report of the Credit Union Deposit Guarantee Corporation**

Posted on their website:

[www.cudgc.sk.ca](http://www.cudgc.sk.ca)

## **7.0 Report of the SCECU General Manager for 2019**

PowerPoint presentation.

Moved by: Shaz Azam. Seconded by: Bill Davern.

That the Report of the General Manager for 2019 be received as information.

Carried.

## **8.0 Management responsibility for the financial statements.**

The Chair read the required notification.

## **9.0 Auditor's report and presentation of the financial statements.**

Brian Heinrichs, Partner with The Virtus Group presented their audit and an overview of the financial statements for 2019. Summary copies in electronic form are available on the [www.SCECU.com](http://www.SCECU.com) web site. Full copies of the audited financial statements are available upon request.

Moved by: Romuald Lagace Seconded by: Les Smith

That the Auditor's Report for 2019 be accepted.

Carried.

## **10. Appointment of the Auditor for 2020.**

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

That the audit firm "The Virtus Group" be appointed to carry out the audit function for 2020.

Carried.

## **11. Update on marketing for SCECU.**

Scott Roesch presented the new "branding" for the credit union and reviewed the new website layout at [SCECU.com](http://SCECU.com).

### **13. General Manager's Update on 2020.**

General Manager Dennis Lozinsky presented an update on the response to COVID-19 and the preliminary financial results to the end of August 2020.

### **12. Election of Board Directors.**

Moved by: Don Davison. Seconded by: Gail Gillard

That the four nominees: Marian Voth, Romuald Lagace, Les Smith, and Shaz Azam be declared elected to the Board.

Carried.

Don Davison then recognized and thanked the outgoing Board members, Ken Kozak and Jan-Mark Gustafson for their service to the Board.

### **14. New and Other Business.**

#### **a) Recipients of the Boyd Johnson scholarships.**

General Manager Dennis Lozinsky presented the scholarly achievements and community of Jenna Roesch and Brandon Johnson, the scholarship recipients. Jenna had sent an e-mail of thanks and Brandon was present to thank the Credit Union personally.

Congratulations to both.

#### **b) Long service awards.**

General Manager recognized Scott Roesch for his 25 years of service in the credit union system.

#### **c) Other business.**

None.

### **15. Adjournment.**

Moved by: Michelle Lane. Seconded by: Marty Irwin.

That the Annual General Meeting for 2019 be adjourned.

Carried.

Time: 9:06 PM

Editor's Note: An edited version of the audio/video recording of this Annual General Meeting is available on the credit union's website: [www.SCECU.com](http://www.SCECU.com).

# The Board Chair's Report

## FINANCIAL HIGHLIGHTS

From the AGM of September 2020 until now, recovery and stabilization are the catch phrases for your Credit Union during this COVID pandemic. Membership continued to creep slowly down from 2,246 at the end of 2020 to 2,217 at this present time. Net earnings were down from \$331,355 in 2019 to \$151,050 in 2020. Due to these low net earnings, there was no patronage paid out. We are though, looking forward to our next year when vaccines and immunity to this virus allow people to once again enjoy their banking and investment routines.

## STRATEGIC DIRECTION

The Saskatoon City Employees Credit Union is unique in that it serves a niche market of City employees (current and former) and their families. Your Credit Union's top priority continues to be its long-standing practice of ensuring that its members enjoy the benefits of high quality, personalized service. It is this that sets your Credit Union apart from other financial institutions. At the same time your Credit Union subscribes to improvements in technology as they become cost effective for its membership. This includes your now new Credit Union logo as well as the new website.

Attracting new members continues to be a high priority. Our goal is not only to increase memberships but also increase the number of services and products our current members use with our Credit Union, in essence a greater share of their financial affairs.

## BOARD ACTIVITIES

Each year, your Credit Union makes a donation to a charity that in the opinion of the Board makes significant differences to people in the community. For this year, the Board has chosen to donate \$1000 each to the Prairie Hospice Society and the Saskatoon Food Bank and Learning Centre. 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 and the Saskatoon Food Bank & Learning Centre are committed to ensuring a food secure community where all people have access to safe, affordable, and nutritious food. They also believe it's important to address the underlying issues contributing to hunger and poverty in our community. In their Learning Centre they operate various learning, self-help and life skills programs that are supportive of learning needs and aspirations within a family oriented, empowering and self-directed environment.

Due to COVID, only one application has been received for the Boyd Johnson Memorial Scholarship and we are awaiting the enrollment confirmation to disburse the scholarship funds. Look to your new website for further announcements.



On behalf of the Board, I would like to thank our General Manager, Dennis Lozinsky, Assistant Manager, Graeme Bittner and each of our employees of the Credit Union for their continued commitment and exceptional customer service that makes Saskatoon City Employees Credit Union the financial institution of choice for our members. Finally I would like to thank our members for continuing to support the Credit Union and placing trust in us as your financial institution. I look forward to another prosperous year for our members!

Stand tall,

Allen Beck  
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 2020

January 2021

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

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

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

## Saskatchewan Credit Union Quick Facts

**(as of December 31, 2020, unless otherwise indicated)**

- Today there are 36 credit unions in Saskatchewan serving 208 communities through 234 service outlets.
- Credit unions offer financial products and services to more than 486,000 members.
- Saskatchewan credit union assets reached over \$26.5 billion with revenue of over \$1.04 billion.
- Credit union lending amounts were over \$19.3 billion.
- There are 349 board members who are locally elected by members of each credit union to provide strategic direction to their management teams.
- As independent financial institutions owned and controlled by their members, credit unions are shaped by community needs. Saskatchewan credit unions range in asset size from \$26 million to more than \$6 billion.
- In 2020, Saskatchewan credit unions returned over \$6.07 million to their members in the form of patronage equity contribution and dividends.
- Credit unions are a major contributor to Saskatchewan's economy, employing over 3,200 people.
- Funds held on deposit in Saskatchewan credit unions are fully guaranteed through the Credit Union Deposit Guarantee Corporation. The full guarantee is made possible through a comprehensive deposit protection regime that is focused on prevention.

## 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 has been jointly developed by Saskatchewan credit unions, SaskCentral and Credit Union Deposit Guarantee to ensure the protection of credit union members. The code sets forth guidelines for the following areas:

- **Complaint handling**, which outlines the process for dealing with all complaints regarding the service, products, fees or charges of Saskatoon City Employees Credit Union.
- **Fair sales** purpose 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.
- **Financial planning** process to advise members on the risks and benefits associated with financial planning services.
- **Privacy** to protect the interests of those who do business with Saskatoon City Employees Credit Union. Privacy is the practice to ensure all member information is kept confidential and used only for the purpose for which it was gathered.
- **Professional standards** to preserve a positive image of Saskatoon City Employees Credit Union among our members and communities.
- **Capital management** to ensure our capital structure aligns with our risk philosophy.
- **Financial reporting** to adhere to business and industry standards.
- **Governance** practices to adhere to the intent and stipulation of our corporate bylaws, which are approved by the membership of Saskatoon City Employees Credit Union.
- **Risk management** to ensure all risks are measured and managed in an acceptable fashion.

## ***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 of 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 general 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. Under the current credit union legislation, Saskatoon City Employees Credit Union is able to provide financial services to members and non-members. As of December 31, 2020, Saskatoon City Employees Credit Union had 2217 members and 0 non-members. Non-members do not participate in the democratic processes of the credit union nor the patronage program.

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

### ***Strategy***

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

Our key strategic objectives remain relevant and were carried forward for 2020. These strategies are to; a) pursue initiatives that optimize revenue, control costs and improve efficiency; pursue initiatives to manage growth of risk weighted assets to optimize earnings potential; b) develop a marketing strategy that builds the Credit Union as closed bond, develop a proactive member centric sales culture, enhance accessibility channels and increase the number of full service members; c) ensure our branch footprint is relevant to members, develop a comprehensive IT strategy to ensure our systems are secure, continue to explore opportunities to collaborate with like-minded credit union system players and; d) ensure our people's skills and competencies are relevant through training and professional development, encourage ongoing board development and educate staff on a proactive sales culture.

Our Credit Union performance, both on a personal and a corporate basis, were severely challenged by the CoVid -19 pandemic. As a result of some of the Saskatchewan Health Authority (SHA) guidelines and restrictions we had to adapt our service delivery model to protect both our staff and our members while delivering the personal service to which our members are accustomed.

The results of our activities in 2020 are: a) we were not able to achieve our revenue targets or our ROA (Return on Assets) as our "after tax" ROA is 0.21% or an efficiency

ratio less than target; our loan portfolio did not increase rather it decreased, although assets, member deposits, and retained earnings increased. However, our net earnings were insufficient and the board was not able to declare a dividend; b) for our marketing strategy we were able to increase our visibility as we launched our new logo and our new website September 15, 2020; unfortunately, the CoVid-19 pandemic limited further work with the City of Saskatoon Employees Internal Communications Specialist as access to City Hall became restricted and city employees made the transition to work remotely. Scott continues to work with the staff on training to become proactive with member service; c) improving our efficiency is an incessant goal as efficiency will translate to strong earnings and effective processes translate to member trust, satisfaction and safety of assets. Our effective processes are confirmed by our audit reports; and lastly, d) we continue to provide training opportunities for staff and management to enhance our competencies and to keep pace with the increasing complexities of the financial industry. In 2020 all our training was completed online and in webinars.

## Key Performance Results

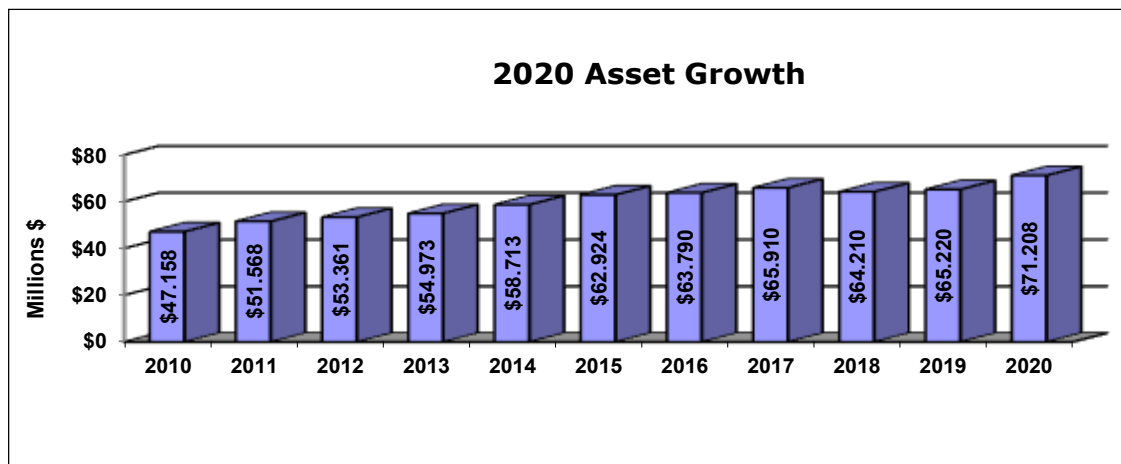
The success of the Saskatoon City Employees Credit Union is measured by its financial management and performance (assets, loans and deposits growth), credit management including credit risk exposure, capital and profitability management, and liquidity management.

Following in this report are the financial statements for the Saskatoon City Employees Credit Union. The following results analysis uses the externally prepared audited financial statements provided by Virtus Group LLP as of December 31, 2020.

### Financial Performance:

#### Balance Sheet Analysis:

Our assets increased year-over-year by 9.19% or \$5.99 million to end 2020 at \$71.2 million from \$65.2 million in 2019. This compares to the 2019 increase in assets of \$1.0 million or 1.57%.



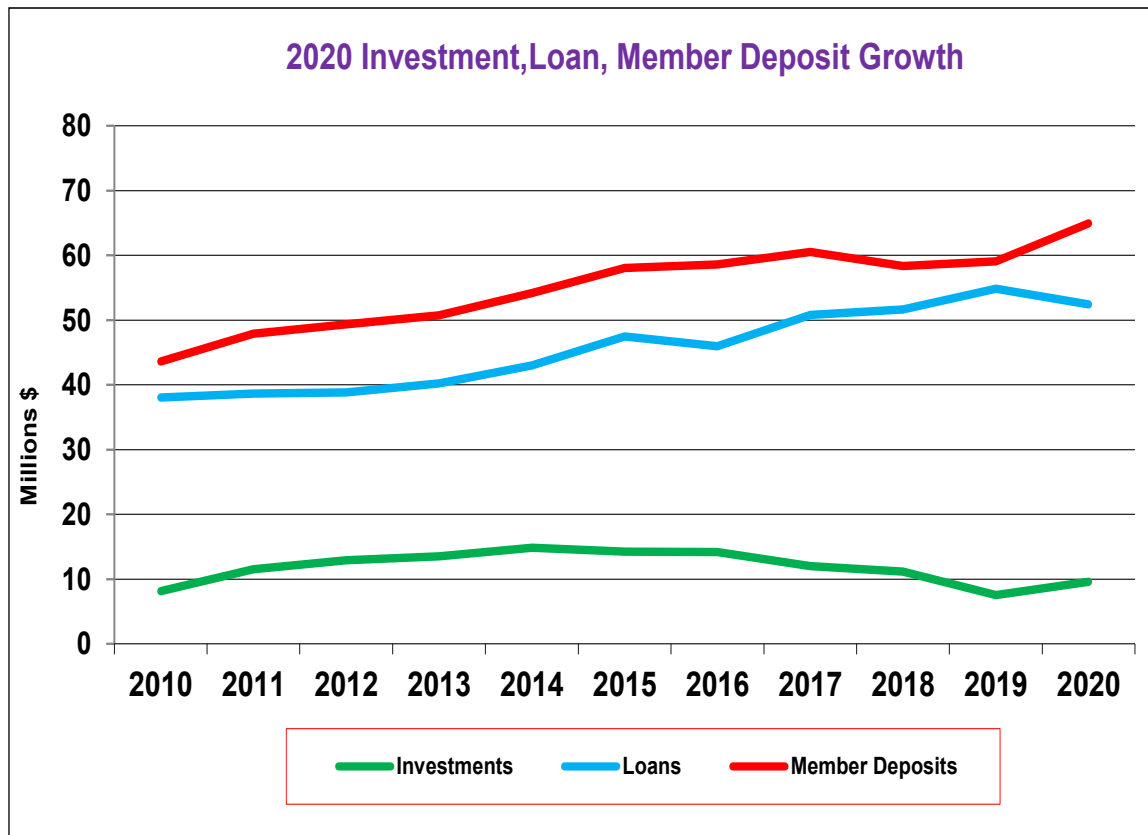
A year over year comparison shows our loan portfolio decreased in 2020 by (4.35%) or (\$2.39) million to end the year at \$52.47 million. This compares to 2019's loan increase of \$3.2M or 6.25%.



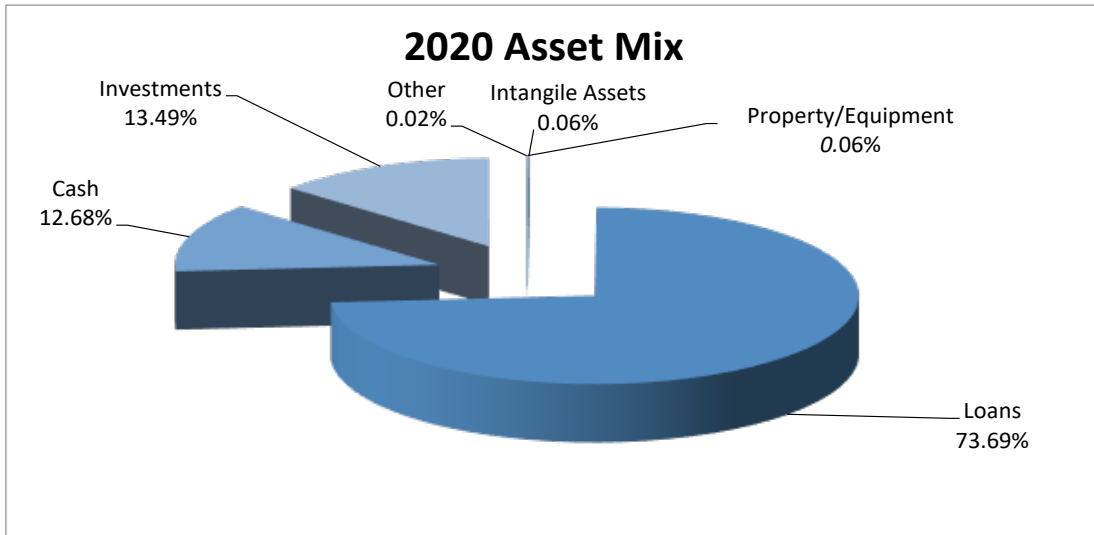
Our investments increased over the year. As of December 31, 2020, our investments had increased year over year by \$2.05M or 27.08%. In 2019, we had a decrease in investments of (\$3.59M) or (32.2%). Our cash holdings saw a dramatic increase from 2019 to 2020 of \$6.3M or 233.6% with cash deposits totalling \$9.03M.

Member deposits increased with a growth rate of 10.0% or \$5.91M to \$64.97M as of December 31, 2020. This compares with 2019 results which saw an increase of \$0.72M or 1.25%.

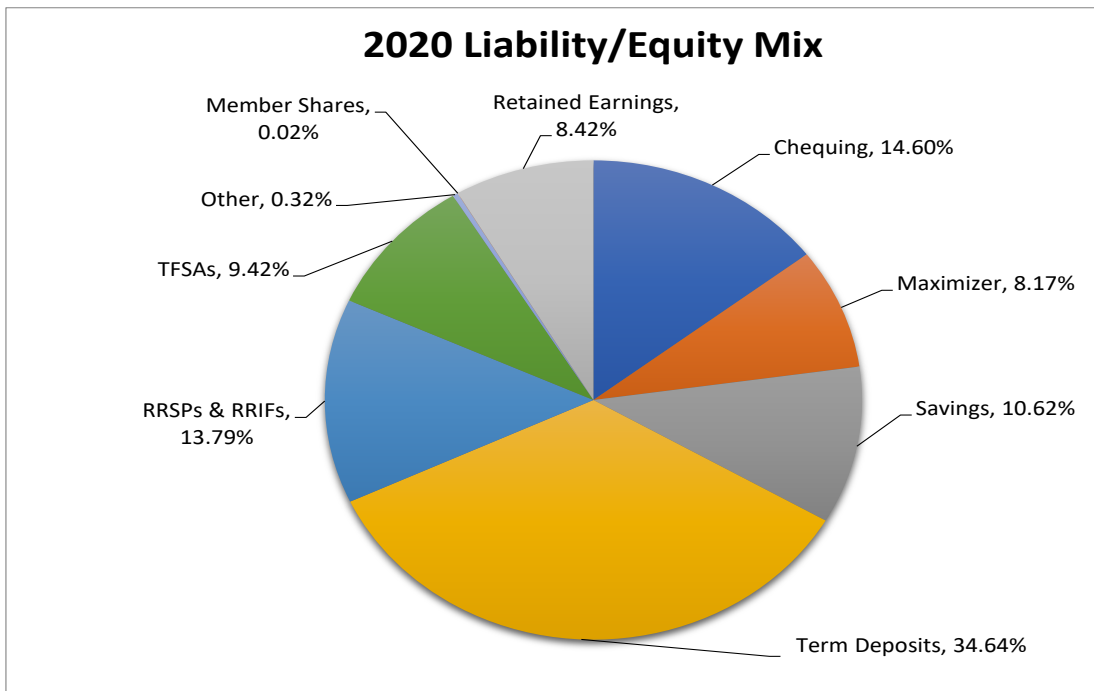
Member deposits are used to fund loan demand with the difference placed in investments. Should loan growth exceed deposit growth then the Credit Union will use investments to fund loan requests. The following chart illustrates the results in relational balance sheet items.



Below is an illustration of our asset composition as of December 31, 2020. 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, 2020.



## Credit Management:

Credit risk is the risk of loss arising from a borrower or counterparty's inability to meet its obligations. As all our investments are held with Sask Central or Concentra Bank our primary risk is associated with loans. As of December 31, 2020, we had a total loss exposure, which are all loans 90 days or more delinquent, of six (6) loans for a total of \$1,224,622 or 2.51% of our total loans. This compares to December 31, 2019 of zero (0) loans. The 2020 average for the Saskatchewan Credit Union system is 1.34%.

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 handle such a loss. Our analysis determined we should have an accumulated loan loss provision of \$190,402. We had established a provision of \$116,402 for loan losses in 2019. Our impaired loan loss provision, for expected credit loss for 2020 is \$74,000 or .14% (\$53,700 or 0.10% for individual specific allowance and \$20,300 as a general allowance) of our total loans. This compares to 2019's specific allowance of \$0.0 or 0% for our loan loss provision but a general allowance of \$12,218 or 0.02%. In both 2020 and 2019 we wrote off zero (0) loans for \$0.00.

## Loan Portfolio Mix:

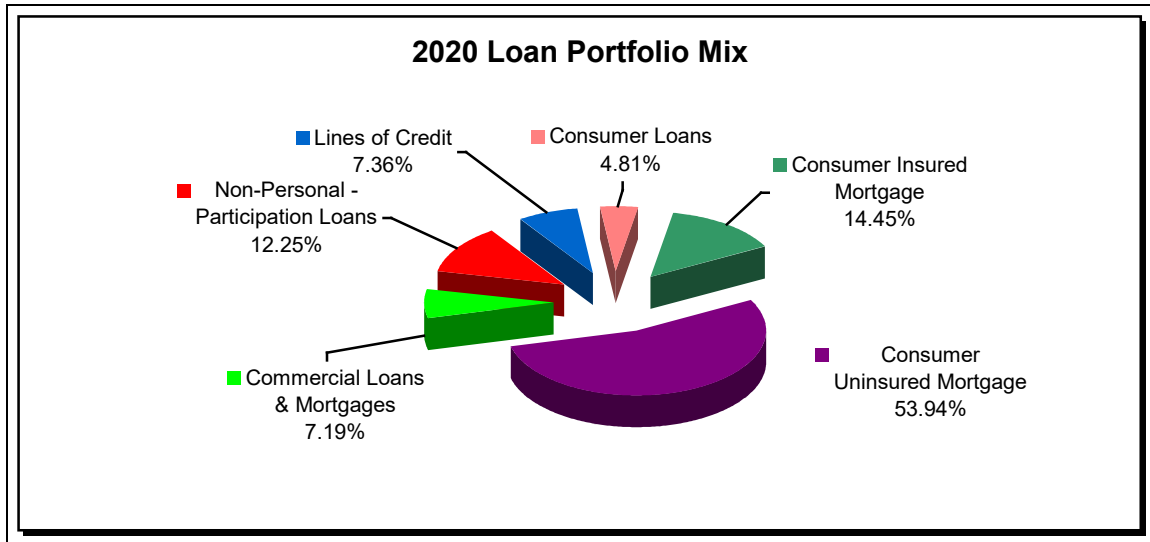
With the strong growth in deposits our 2020 loans as a percentage of assets decreased to 73.69% (84.12% - 2019) of our assets. As this ratio is an indicator of our liquidity risk our regulator monitors this ratio. The standard loans to asset ratio should not exceed 80.0%. Due to the CoVid-19 pandemic and SHA's guidelines our loan demand was reduced such that our loan portfolio decreased by (4.35%). Our loan portfolio is predominantly consumer credit representing 80.56% of our total loan portfolio as of December 31, 2020, (78.72% for December 31, 2019). Our mortgages comprise 84.9%, of the **consumer loan portfolio** compared to 84.0% the prior year. Our consumer mortgages represent 68.38% 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:

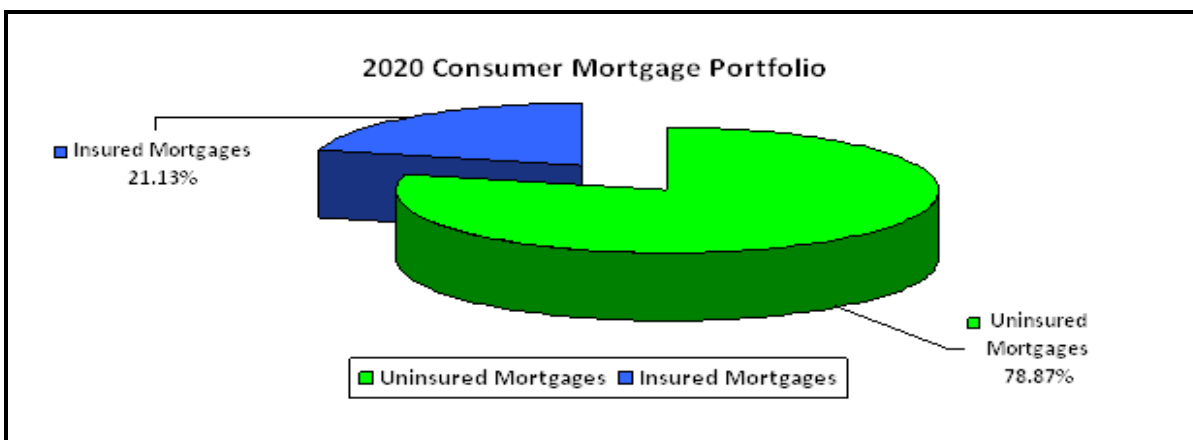
Consumer	50% - 95%;	Commercial	0% - 25%;	Agriculture	0% - 10%;
Participation	0% - 25%;	Leases	0% - 30%.		

The risk appetite going forward reflects a portfolio mix for Leases to be (0 - 30%) providing management with more options to diversify the loan portfolio in an effort to make better use of our current capital and pursue potentially higher earnings.

Our loan portfolio mix is illustrated in the chart below as of December 31, 2020.



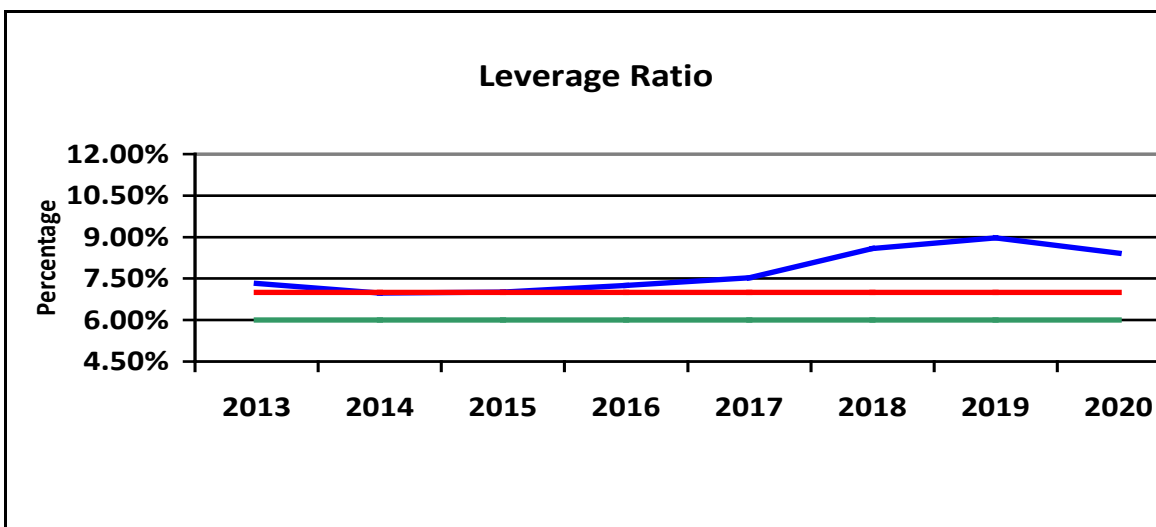
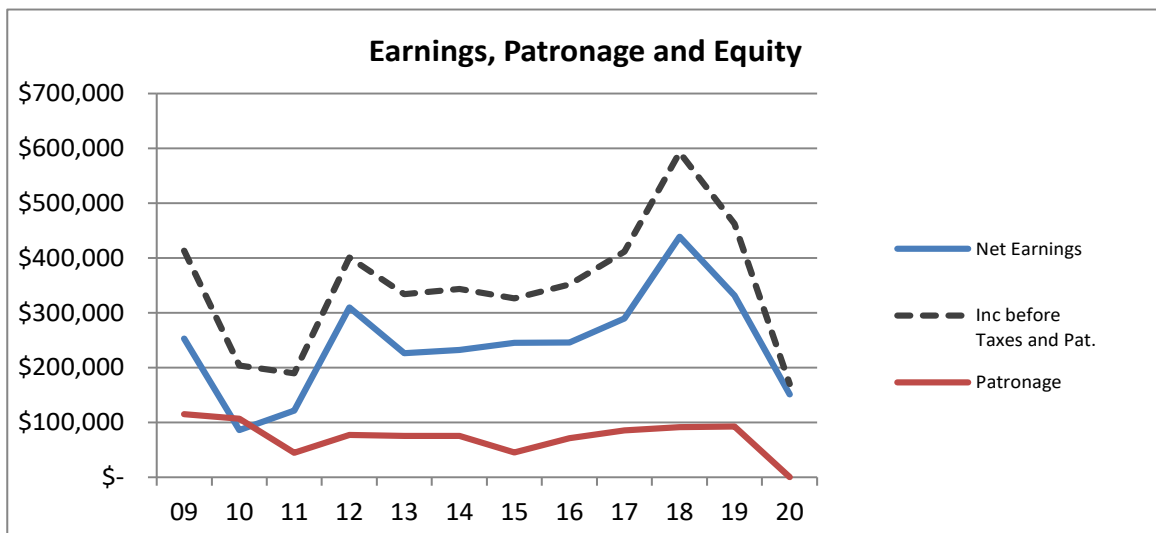
Our residential mortgage portfolio of \$35,883,657 includes principal and accrued interest and is comprised of (\$7,583,827) or 21.13% insured mortgages and 78.87% or \$28,299,830 of uninsured (conventional) mortgages. An insured mortgage is one in which the mortgage debt is insured for default by Canada Mortgage Housing Corporation (CMHC) or an approved private insurance provider and requires a minimum downpayment of 5% but includes mortgages with less than a 20% downpayment. 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 downpayment of 20% or where the loan to value ratio is less than 80%. Our mortgage portfolio is very stable as our lending policies and practices are compliant with the Standards of Sound Business Practice and all underwriting requirements. Our lending staff has long practiced properly qualifying our mortgagors to ensure affordability for our members and a strong mortgage portfolio for the Credit Union.



## Capital and Profitability Management

### Return on Assets (ROA):

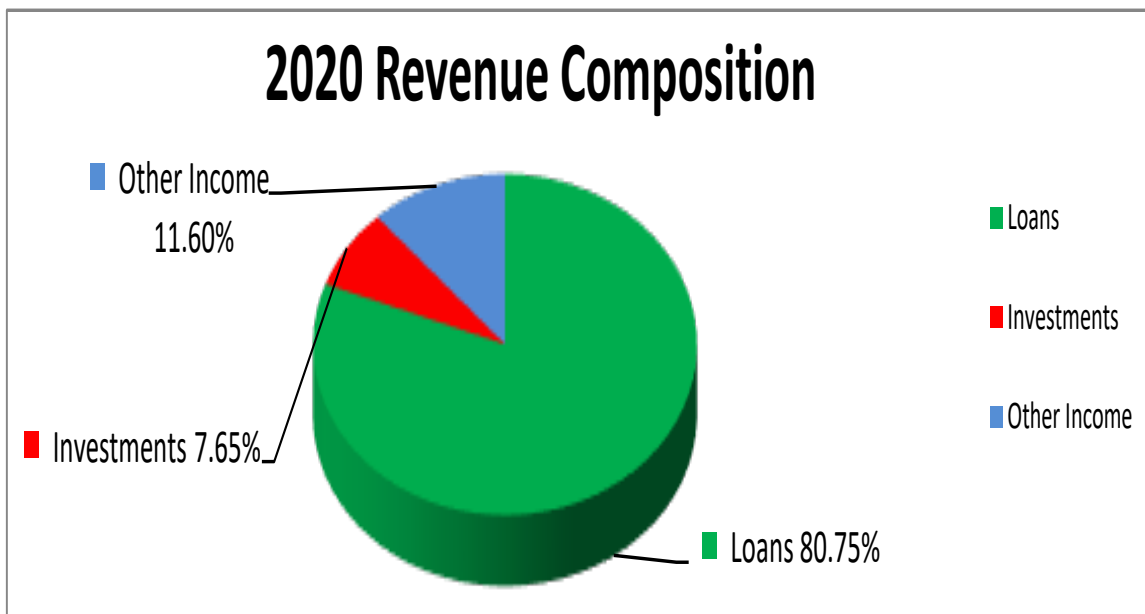
Profitability is another indicator of the Credit Union performance measured by the return on assets. For our purposes we measure the net income generated compared to the assets of our credit union. As of December 31, 2020, our ROA "after tax" is 21 basis points, "before patronage and tax allocation" our ROA is 34 basis points compared to the system ROA "after tax" of 0.44 basis points. In comparison our ROA as of December 31, 2019 was 51 basis points (66 basis points - 2018). Ideally a ROA would be between 55 and 75 basis points. Your board has set a ROA target of 35 to 50 basis points.



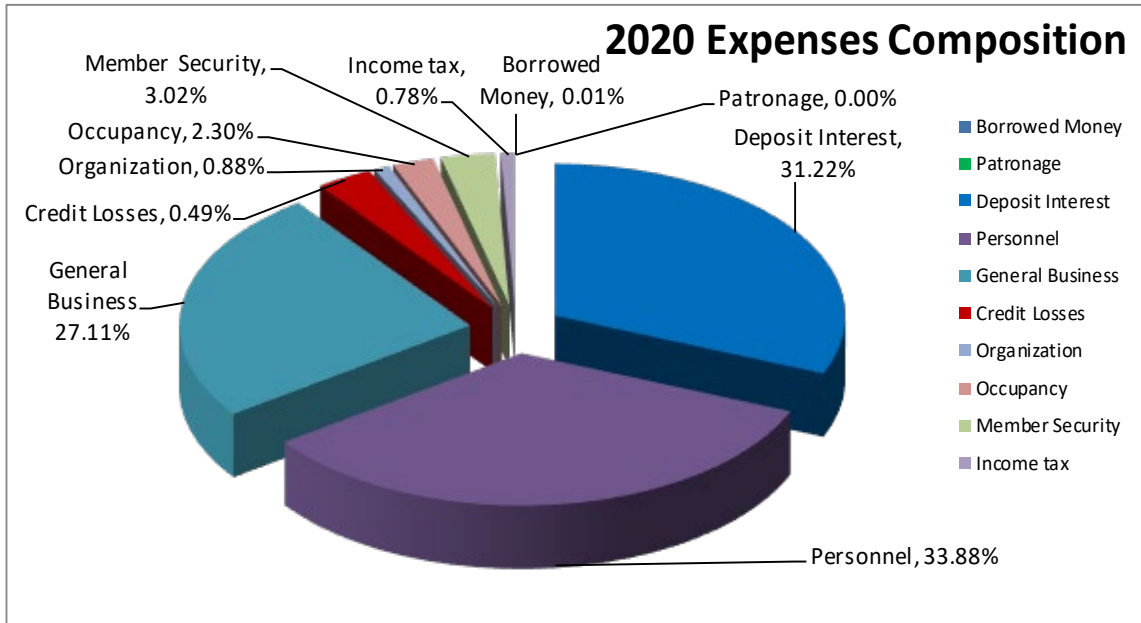
Our 2020 net annual earnings of \$151,050 are significantly lower than the prior year due to the effects of the CoVid-19 pandemic and the economic repercussions. For example, our Credit Union Prime Rate March 1<sup>st</sup>,2020 was 4.0% and six weeks later the Prime rate dropped to 2.50% reducing our revenues. At the same time, we were incurring addition labour costs as our office remained opened and our staff was split into two groups working one week in office and one week at home on a rotational basis. Thus, more part-time staff were required to adequately serve our members.

We also experienced more loan delinquency and potential loan losses and we expensed an additional \$74,000 in 2020 as an Expected Credit Loss (ECL). Revenue composition includes loan interest, investment income, and non-interest income. Our revenues decreased across the board as loans decreased by (8.25%), our investment income decreased by (17.20%) due to the reduction in our investments interest rates, and our non-interest income decreased by (16.85%).

Unfortunately, our revenues were insufficient to meet regulatory expectations of growth, development, safety and financial soundness. Therefore, the board was not able to declare a patronage refund without putting the Credit Union at unnecessary risk. We are still able to maintain our leverage ratio above the 7.0% minimum at 8.36% and achieve a meagre ROA after tax of 21 basis points.

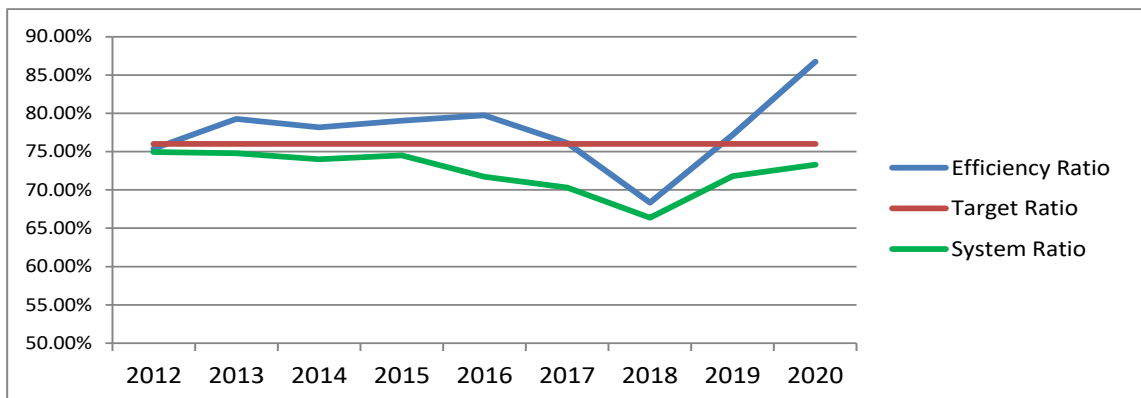


Our expenses are comprised of member deposit interest, interest on borrowed money, patronage, credit losses, operating expenses (general business, occupancy, organizational, personnel and member security) and taxes. Like our revenues we experienced a decrease in our overall expenses. The largest decrease being general business while personnel and deposit interest increased from 2019. 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, 2020 is 86.75%, (2019 – 76.98%), (2018 – 68.36%) while the Saskatchewan Credit Union system ratio is 73.3% for December 31, 2020 and 71.81% for 2019. 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%. In order 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 Standards of Sound Business Practice, as of December 31, 2020 our LCR is 832.12%, well above the current requirements of 100%.

On an operational front 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 significantly throughout 2020 beginning with loan paydowns in the first quarter of 2020 and improving thereafter as our member deposit growth out-paced our loan growth. This resulted in our operating liquidity rising to 174.54% well above our 100% target ratio. The Credit Union has a number of strategies to address this matter including aggressively solicit loans, purchase loans and/or leases and increase our longer-term investments.

Although not a current significant risk, management of operating liquidity will continue to be addressed by management in 2021.



## People

### Members

In 2020 our memberships decreased by (1.43 %) from 2246 members to 2217 members. There were 87 new member records opened and 116 member records closed for a net decrease of 29 memberships. In 2019, 116 new member records were opened and 148 member records were closed for a decrease of 32 (1.43%) and (0.61% increase – 2018). The Credit Union system as a whole experienced a membership increase of 0.86% in 2020.

### 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 23, 2021, each for three-year terms. One (1) incumbent, Stanley Macala has signed the nomination form seeking re-election to the board. The second position is available as our current chairman, Allen Beck has completed his term serving 15 years to the board and will not be seeking re-election. Lastly, the third position has come available as a result of the resignation of Donald Davison. We thank all the members of the board for their service to the Credit Union and extend our appreciation to Allen Beck, elected to the board in 2006, for his commitment and service to our board and to Donald Davison for his time and dedication to our board.

### Staff

Once again, I express my gratitude and appreciation to our staff and management in the manner in which they continue to serve our members in a timely and professional manner amidst the chaos and confusion of 2020. I am especially proud of our staff and management as they have risen to the challenge presented by the CoVid-19 pandemic establishing and maintaining a safe working environment for fellow employees and a safe environment for our members. Our office is located in City Hall and as such we are compelled to abide by not only SHA guidelines but by the corporate City of Saskatoon restrictions. Upon notice that city hall would be locked down with restricted access our employees communicated with our members by phone and digital channels the situation at hand. The City's Pandemic Planning Committee recognized our Credit Union as an essential service and graciously made provisions for our members to have access to our office throughout the pandemic of 2020. As restrictions tightened and unfolded our staff and management adapted changing protocol as needed and as a result service to our members was perhaps restricted but uninterrupted.

Our staff complement is 11 members (5 full-time and 3 part-time) with a 3-member management team. We've seen a number of personnel changes in 2020 and achievements. Our last hire was Cara Saccucci in March 2020. We extend our congratulations to Cindy Griffiths who retired December 31, 2020 with 27+ years of service to our Credit Union. We also extend our congratulations to Charlotte McCracken for achieving in 2019 her milestone of 15 years of service with Saskatoon City Employees Credit Union and to Gail Gillard for achieving in 2020 her milestone of 35 years of service with Saskatoon City Employees Credit Union.



As General Manager I also thank the staff, unionized under a collective bargaining agreement, for coming to an agreement and ratifying the contract in July 2020 extending the agreement to December 31, 2023.

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

## Summary

Our financial results are meager but justifiable as 2020 has been a year of turmoil and trial trying to work thorough the web of the CoVid-19 pandemic restrictions. With all the restrictions and protocols in place our Credit Union still managed to open new memberships although the net result was a decline in memberships, we had an increase in assets, member deposits and ended the year with positive net earnings, a lower loan to asset ratio, and strong capital and liquidity ratios. Saskatoon City Employees Credit Union has a great opportunity to grow, increasing our revenues and net earnings in 2021 creating 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 2021 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 happen in our organization.

Management works with the Board of Directors to establish and adopt policies and procedures to effectively manage the various risks to which the organization is exposed. Tools that management and the board have undertaken to identify, assess and manage the risks include regular monitoring, stress testing, both internal and external audits, combined with ongoing reporting to and monitoring by our regulator - Credit Union Deposit Guarantee Corporation. In addition, our Credit Union has contracted the services of SaskCentral to assist our Credit Union in developing complete updated and integrated Capital and Liquidity plans. In 2019 management contracted the services of SaskCentral Market Solutions 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. As the risks remain relevant in 2020 the board and management reviewed thirteen (13) risks. Opportunities are better to be dealt with in the Business Planning process and were not dealt with in our ERM process. The identified risks have been categorized into ten (10) categories of risk, credit, liquidity, emerging, earnings, reputation, human resources, operational, strategic, market /interest rate, and legal/regulatory. Upon implementation of mitigating strategies and action plans no risks were considered high severity. However, three risks were assessed to be higher than our Credit Union's target risk appetite. IT/Cyber Risk, attract and recruit qualified directors, and loss of corporate knowledge. Through regular reviews of the market and market conditions, internal assessments and regulatory compliance reviews, management reports to the board of directors quarterly and annually. Risk mitigating strategies and action plans are implemented by management to manage these risks at levels identified in the credit unions risk appetite. Through this process, the following risks have been identified according to their potential impact on Saskatoon City Employees Credit Union (SCECU).

### **Strategic Risk**

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

Three strategic risks identified as high inherent risk for Saskatoon City Employees Credit Union include: 1) inability to keep pace with technology prevents us from delivering a superior member service experience; 2) failure to understand the needs of current and future members may lead to unsuitable product design and misalignment

of service delivery channels; 3) inability to recruit or develop qualified directors will erode the strength of the credit union.

To manage the severity to an acceptable moderate severity the following strategies were implemented: we will strengthen relationships with members, adopt new technologies based on member needs and ability of the Credit Union to afford, and ensure staff are trained to use relevant technology. 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.

### **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 regain/maintain 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 specials, and investigate full service member pricing.

### **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% for 2019. The purpose of the liquidity management plan (LMP) is to ensure the optimal level of liquidity is maintained to meet regulatory and operational needs. Holding inadequate liquidity may result in SCECU not being able to meet member loan demand or demands for withdrawal of their deposits. Holding surplus liquidity means SCECU may not be generating sufficient returns on its funds to achieve an optimum return to its members or depositors.

Our objective is to maintain the Regulatory Statutory Liquidity ratio at 10% of deposits and strive to maintain our liquidity coverage ratio within a range of 110 to 150% of our requirements. Calculated according to the Standards of Sound Business Practice, as of December 31, 2020 our LCR is 832.12%, 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, 2020, our loan to asset ratio is 73.69% well below our board target of 80% and is not a current risk facing SCECU.

### **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 Sask Central or Concentra Bank our primary risk is associated with loans.

As extending credit has inherent risk, increasing our loan portfolio will increase our risk exposure and may require an increase in capital requirements. According to our strategic plan we have elevated our risk by participating in the purchase of commercial loans from our partners. Although such loans may increase our risk it also increases our potential revenues as the loans bear a higher interest rate than our investments. Our experienced lenders adhere to lending policies and practices thus mitigating our risks to an acceptable level. We will not allow our loan delinquency over 90 days to exceed 4 % but strive to maintain a ratio below 3%. As of December 31, 2020, our total loss exposure which is all loans 90 days or more delinquent, is (6) loans for a total of \$1.22M or 2.36% (0.0%-2019).

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. We will continue to diversify our loan portfolio in order to maximize our returns while remaining compliant with regulatory standards by supplementing our loan portfolio with syndication of loans and participation loan purchases. As of December 31, 2020, we have funded or participated in, a total of \$6.38 million with Concentra Bank and New Community Credit Union versus \$6.58 million in 2019.

## **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 policy and procedure in place to mitigate our exposure to these risks. SCECU has designated a Risk and Compliance Manager, a Compliance Officer and in 2020 contracted 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), 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 policy, procedure and internal controls and continues to review these to ensure they are compliant and effective. We will continue to collaborate with other Credit Unions to achieve efficiencies, continue to pursue cost effective training for our staff, engage the staff in improving the service culture and strategy for the Credit Union and develop performance plans. We will when required capitalize on our support services by contracting SaskCentral's National Consulting resources. These resources will provide expertise and cost savings for both technological solutions and delivery systems. As of December 31, 2015, we have signed a new 7-year deal with Celero to provide our core banking services commencing January 1, 2016. For our members protection we have implemented measures such as password access, encryption of data, authority levels and built in security systems to protect member information as well as backing up all data and banking system information.

A renewed three-year contract with SaskCentral Market Solutions to perform internal audits has expires December 31, 2022. 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 policy, procedure and internal controls. In an effort to increase our revenues we will pursue increased 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 look for additional opportunities to grow our portfolio and conduct regular pricing reviews. We will continue to explore opportunities to work with like-minded credit union system players to increase our business efficiencies.

### **Human Resource Risk**

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

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

SCECU accepts these risks and will manage these risks by focusing on cross/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 to find affordable IT assessment solutions, educate and train staff and management on cyber safety utilizing CUMIS Risk Management resources and CCUA educational resources. Celero currently provides Preventative Care desktop services, Central 1 currently provides secure internet banking, MemberDirect services and near real time fraud monitoring, Central 1 provides our secure website and the Credit Union carries insurance against losses with CUMIS 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 that 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.

Although our ERM planning session did not identify any emerging risks SCECU has since placed Open Banking on its radar and will address this matter in 2021. 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 in order 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. Open Banking provides consumers(members) the benefit of choices and the 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, 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).



## **Corporate Structure and Governance**

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

### **Board of Directors**

#### **Mandate and Responsibilities**

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

#### **Board Job Description**

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

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

#### **Directors**

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

#### **Board Composition**

The board is composed of 9 individuals elected from and by the membership at our annual general meeting. Terms are for 3 years and tenure is limited to four consecutive terms of 3 years each. Nominations are made by active board members and members at large and will close 7 days before the date of the

annual meeting. Voting is anonymous and may be completed by paper or digital ballot. Election results are announced at Saskatoon City Employees Credit Union's annual general meeting.

### **Committees**

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

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

The committees currently in place are:

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

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

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

In 2020 the board of directors held ten (10) regular meetings and three (3) audit meetings. Attendance ranged from a low of 60% to high of 100% attendance, with only one (1) member 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 as a result 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 2020 management team 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 that 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 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), \$1000.00 Boyd Johnson Memorial Scholarships.

Saskatoon City Employees Credit Union board has also developed a Charitable Donations Policy wherein the board awards up to \$2,000.00 annually to registered charities.

## **Capital Management**

The board of directors of Saskatoon City Employees Credit Union has 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. In order to continue to provide this service, 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

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

<b>CUDGC's - Minimum Capital – as a % of Risk-Weighted Assets</b>			
	<b>2020</b>		
	Common Equity Tier 1	Total Tier 1	Total Eligible Capital
CUDGC Minimum Ratio Regulatory Limits - (as a % of risk-weighted assets)	<b>7.0%</b>	<b>8.50%</b>	<b>10.50%</b>
Saskatoon City Employees Credit Union Board Targeted Ratio	<b>8.5-10%</b>	<b>12-14%</b>	<b>12-15%</b>
Saskatoon City Employees Credit Union <b>ICAAP Analysis</b>	-	-	<b>13.96%</b>
Saskatoon City Employees Credit Union Achieved Ratio /2020	<b>17.30%*</b>	<b>17.30%*</b>	<b>17.89%*</b>
	<b>December 31, 2019</b>		
	<b>17.04%*</b>	<b>17.04%*</b>	<b>17.51%*</b>

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

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

**Total Tier 1 Capital** is comprised of Common Equity-Tier 1 capital plus qualifying membership shares and other investment shares that meet the criteria for inclusion. **Total Eligible Capital** is the sum of Tier 1 and Tier 2 capital and the minimum regulatory required capital is 10.50%. Our goal is to attain a Total Eligible Common Equity position of between 12.0% 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 13.90% as of December 31, 2020.

Our total capital ratio has increased slightly from the previous year ending 2020 with a surplus of 3.93% 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. **As our only source to build capital is earnings, 2020 earnings have been retained to build capital.**

Another component of capital management is the distribution of earnings. As per our policy, earnings will be allocated in the following order of priority (As per SSBP – Capital Adequacy Requirements January 1, 2017):

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

**Leverage Ratio**

<b>Leverage Ratio</b>			
<b>CUDGC Minimum Standard</b>	<b>SCECU Board Target</b>	<b>2020 Results</b>	<b>2019 Results</b>
5.00%	Not less than 7.00%	<b>8.36%</b>	<b>8.97%</b>

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.

To assist management and the board in proper management of the capital an ICAAP analysis is performed on a quarterly and reported to the board accordingly. Saskatoon City Employees Credit Union has performed an Internal Capital Adequacy Assessment Process (ICAAP) to determine the impact of risks to our Credit Union's capital position. Through this process it was determined that we will require total capital of 13.96% of our risk-weighted assets as of December 31, 2020.

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 2021 to optimize our capital position. These ventures may expose the Credit Union to more risk but it is with the expectation of increased earnings.

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

Respectfully submitted,



Dennis Lozinsky  
General Manager



# Saskatoon City Employees Credit Union

## Listing of Board of Directors & Staff

Effective: September 15, 2020

### Board of Directors

Name	Department	Start Date	Term Expiry
Allen Beck	Retired- Fire & Protective Services	AGM – 2006	AGM – 2021
Stanley Macala	President of CUPE Local 59	AGM – 2012	AGM – 2021
Bill Davern	Retired – City Solicitor	AGM - 2015	AGM – 2022
Martin Irwin	Retired – Provincial Court Judge	AGM – 2016	AGM – 2022
Donald Davison	Retired - Corp Serv-Assessor Dept.	AGM – 2019	AGM – 2022
Shahzada Azam	ProtactiQ Performance Solutions	AGM – 2014	AGM – 2023
Marian Voth	Accountant- Grant Thornton LLP	AGM – 2017	AGM – 2023
Lesley(Les) Smith	Retired- Corp Serv-Assessor Dept.	AGM – 2020	AGM – 2023
Romuald Lagace	Retired – Infrastructure Services	AGM – 2020	AGM - 2023

### Executive

Chairman	Allen Beck
1 <sup>st</sup> Vice President	Marian Voth
2 <sup>nd</sup> Vice President	Donald Davison
Secretary	Graeme Bittner
Treasurer	Dennis Lozinsky
Past Chair (non-voting)	Jan-Mark Gustafson

### Staff

As of March 24, 2020	Years of Service	
	<u>With SCECU</u>	<u>Total CU Service</u>
Gail Gillard	34yrs 9 mths	
Cindy Griffiths	26yrs 9 mths	
Michelle Lane	23yrs	
Charlotte McCracken	16yrs 3 mths	24yrs 3 mths
Stephanie Serblowski	P/T - 5yrs 6 mths	8yrs 10 mths
Drew Tady	2yrs 5 mths	3yrs 5 mths
Sophie Korol	P/T 6 mths	
Cara Saccucci	P/T 1 mth	
Scott Roesch	2yrs 4 mths	25yrs 7 mths
Graeme Bittner	8yrs 8 mths	14yrs 3 mths
Dennis Lozinsky	19yrs 9 mths	34yrs 6 mths



**SASKATOON CITY EMPLOYEES CREDIT UNION**

**SASKATOON, SASKATCHEWAN**

**INDEPENDENT AUDITORS' REPORT AND  
SUMMARY FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

## **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**



**Allen Beck**  
**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, 2020, 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, 2020.

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 25, 2021.

#### *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 25, 2021  
Saskatoon, Saskatchewan

*Virtus Group LLP*  
Chartered Professional Accountants

**SASKATOON CITY EMPLOYEES CREDIT UNION**  
**SUMMARY STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2020**  
**(with comparative figures for 2019)**

	<b>ASSETS</b>	
	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 9,027,376	\$ 2,714,243
Investments	9,607,338	7,560,102
Loans receivable	52,473,400	54,860,600
Other assets	12,400	15,900
Property and equipment	88,148	68,120
	<u>\$ 71,208,662</u>	<u>\$ 65,218,965</u>
 <b>LIABILITIES</b>		
Deposits	\$ 64,970,437	\$ 59,064,338
Other liabilities	228,670	295,902
Shares	11,245	11,465
	<u>65,210,352</u>	<u>59,371,705</u>
 <b>MEMBERS' EQUITY</b>		
Members' equity	5,998,310	5,847,260
Accumulated other comprehensive income	-	-
	<u>\$ 71,208,662</u>	<u>\$ 65,218,965</u>

APPROVED BY:

 Director

 Director

**SASKATOON CITY EMPLOYEES CREDIT UNION**  
**SUMMARY STATEMENT OF CHANGES IN MEMBERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
(with comparative figures for the year ended December 31, 2019)

	<u>2020</u>	<u>2019</u>
<b>RETAINED EARNINGS</b>		
Retained earnings - beginning of year	\$ 5,847,260	\$ 5,515,905
Net income	<u>151,050</u>	<u>331,355</u>
Retained earnings - end of year	<u>\$ 5,998,310</u>	<u>\$ 5,847,260</u>
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>		
Accumulated other comprehensive income - beginning of year	\$ -	\$ -
Other comprehensive income	<u>-</u>	<u>-</u>
Accumulated other comprehensive income - end of year	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL EQUITY</b>	<u><u>\$ 5,998,310</u></u>	<u><u>\$ 5,847,260</u></u>

**SASKATOON CITY EMPLOYEES CREDIT UNION**  
**SUMMARY STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
(with comparative figures for the year ended December 31, 2019)

	<u>2020</u>	<u>2019</u>
<b>Interest revenue</b>		
Loan	\$ 2,047,201	\$ 2,231,233
Investment	193,926	234,207
	<u>2,241,127</u>	<u>2,465,440</u>
<b>Interest expense</b>		
Borrowed money	108	445
Member deposits	744,242	732,321
Patronage allocation	116	92,635
	<u>744,466</u>	<u>825,401</u>
<b>Net interest</b>	1,496,661	1,640,039
<b>Provision for credit losses</b>	74,000	12,218
<b>Net interest after provision for credit losses</b>	<u>1,422,661</u>	<u>1,627,821</u>
<b>Other income</b>	<u>294,041</u>	<u>353,620</u>
<b>Operating expenses</b>		
General business	591,647	674,446
Occupancy	54,751	64,096
Organizational	20,913	32,984
Personnel	807,796	770,237
Security	72,043	69,633
	<u>1,547,150</u>	<u>1,611,396</u>
<b>Income before income taxes</b>	169,552	370,045
<b>Income taxes</b>		
Current	15,002	37,390
Deferred	3,500	1,300
	<u>18,502</u>	<u>38,690</u>
<b>Net income before other comprehensive income</b>	<u>151,050</u>	<u>331,355</u>
<b>Other comprehensive income</b>	<u>-</u>	<u>-</u>
<b>Total comprehensive income</b>	<u>\$ 151,050</u>	<u>\$ 331,355</u>

**SASKATOON CITY EMPLOYEES CREDIT UNION**  
**SUMMARY STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(with comparative figures for the year ended December 31, 2019)**

	<u>2020</u>	<u>2019</u>
<b>Cash provided by (used in) operating activities:</b>		
Net income	\$ 151,050	\$ 331,355
Items not involving cash:		
- Amortization	39,890	34,712
- Provision for credit losses	74,000	12,218
Patronage allocation accrued	-	92,000
Net change in other assets and other liabilities	28,268	(44,891)
	293,208	425,394
<b>Cash provided by (used in) investing activities:</b>		
Investments	(2,047,236)	3,588,655
Loans receivable	2,313,200	(3,240,386)
Property and equipment	(59,918)	(59,566)
	206,046	288,703
<b>Cash provided by (used in) financing activities:</b>		
Deposits	5,906,099	724,717
Patronage paid out	(92,000)	(91,000)
Shares	(220)	(270)
	5,813,879	633,447
<b>Increase in cash</b>	6,313,133	1,347,544
<b>Cash position - beginning of year</b>	2,714,243	1,366,699
<b>Cash position - end of year</b>	\$ 9,027,376	\$ 2,714,243

**SASKATOON CITY EMPLOYEES CREDIT UNION**  
**NOTES TO THE SUMMARY FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(with comparative figures for the year ended December 31, 2019)**

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

The summary financial statements are derived from the audited financial statements, prepared in accordance with International Financial Reporting Standards, as at December 31, 2020 and December 31, 2019 and for the years then ended.

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

Management prepared these summary financial statements using the following criteria:

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

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

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