

# 2021 ANNUAL REPORT



**Saskatoon City Employees**  
Credit Union



**Saskatchewan**  
Credit Unions

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



## Meeting Agenda

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

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 2021
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 2022
13. Election of Directors
14. New and Other Business
  - Long Service Award
  - Other New Business
15. Adjournment





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

**1.0 Call to Order & Welcome: Time: 7:33pm**

**2.0 Registration & Declaration of Quorum:**

Minimum of 15 members required.

Quorum is declared.

**3.0 Adoption of Agenda:**

Motion:

Moved by: Marian Voth Seconded by: Les Smith

“To adopt the agenda as presented.”

Carried

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

Motion:

Moved by: Bill Davern Seconded by: RomLegace

“That the minutes of the SCECU AGM meeting held on September 15th, 2020, be approved as presented.”

Carried

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

None

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

**7.0 Deposit Guarantee Corporation Annual Report for 2020**

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

**8.0 Management Discussion and Analysis Report 2020:**

Motion:

Moved by: Jan-Mark Gustafson Seconded by: Romuald Lagace

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

Carried

**9.0 Managements Responsibility:**

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

- presented by Brian Heinrichs, partner in Virtus Group.

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

**11.0 Adoption of Reports:**

Motion:

Moved by: Les Smith Seconded by: Michelle Lane

“That the Auditor’s Report for 2020 be accepted”

Carried

**12.0 Appointment of Auditors for 2021:**

Motion:

Moved by: Marian Voth Seconded by: Bill Davern

“That the audit firm of The Virtus Group LLP be appointed to carry out the audit function for 2021.”

Carried

**13.0 The Election of Directors:**

Report from the Nominating Committee Chair – Marian Voth.

Motion:

Moved by: Marian Voth Seconded by: Romuald Lagace

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

Carried

**14.0 New and Other Business:**

- Long Service Award
- Other New Business

**15.0 Adjournment:**

Motion:

Moved by: Stan Macala Seconded by: Bill Davern

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

Carried

Time: 8:41pm

# The Board Chair's Report

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## FINANCIAL HIGHLIGHTS

Despite the introduction of vaccines to reduce the risk of severe illness and death due to COVID-19 in 2021, the fourth and fifth waves of variants continued to restrict people's activities. Your Credit Union continued on a path of recovery and cautious optimism for the future. Membership continued its gradual decline from 2217 at the end of 2020 to 2155 at the end of 2021. Yet your Credit Union saw unprecedented growth in assets from \$71.2 million to \$80.4 million. This is largely attributable to the growth in deposits, possibly suggesting there is a pent up demand for spending that has been put off as a result of the pandemic. Net earnings for the Credit Union increased from \$151,050 to \$250,595.

Despite the higher earnings, the Board chose to not issue a patronage rebate in 2021. With concern over volatility and uncertainty in the economy, very low interest rates and thus very low margins, and the eventual discontinuation of government subsidies, the Board decided that issuing a patronage rebate was not a responsible thing to do at this time. The net earnings became retained earnings used to meet the Credit Union's requirements for capital, liquidity and protection against a possible downturn.

## 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.

Your Credit Union continues to partner with other credit unions to reduce costs and to increase revenues. Examples include investment in participation loans that yield higher interest earnings, while having an acceptable level of risk. However, as member loan growth increases, the amount invested in participation loans will decrease. This results in an overall benefit to the membership.

## THE CREDIT UNION SYSTEM

The credit union world continues to change. Credit unions in Saskatchewan continue to amalgamate to ensure that their members continue to have access to all their financial services in a cost effective manner. Currently there are 36 credit unions remaining in the Province of Saskatchewan.

At the provincial level, SaskCentral continues to shift the support and services it used to provide to other agencies including the Canadian Credit Union Association. Most notable is Equitable Bank's purchase of SaskCentral's 84% interest in Concentra Bank in addition to the 16% interest held by other shareholders. At the same time, Concentra Bank is rebranding itself to be called Wyth Financial illustrating its continued commitment to supporting credit unions. The sale of Concentra Bank is subject to regulatory approval. Your credit union holds most of its short term deposits to cover liquidity requirements in Concentra.

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

## **BOARD ACTIVITIES**

In 2019, the Board undertook a review of its role in Enterprise Risk Management. Of course, your Credit Union has a long standing reputation of managing financial risk while meeting the financial needs of its members. Over the last several years, the corporate world and the financial industry in particular has expanded its risk management to consider all factors that may have a significant impact on the ability of the corporation to carry on business. Factors include CEO succession, Board competency, market share, information technology, cyber-crime, compliance, and so on and so on.

After much deliberation in looking at various approaches to managing risk and developing a Risk Appetite Statement, the Board concluded that it couldn't improve on the process used by the General Manager and his staff for several years. So in keeping with its governance model and the importance of being sensitive to risk, the Board has undertaken two initiatives: First, it adopted an Executive Limitations policy stating that the overall risk within your Credit Union not exceed Moderate as evaluated by our regulator. And second, the Board has within its annual agenda plan scheduled time to look at major risk factors that may affect your credit union. The first item considered was Information Technology risk, i.e. the risk of our computer systems being hacked, and what is being done to mitigate that risk.

For the second consecutive 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. The Saskatoon Food Bank & Learning Centre is 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.

In 2020, there was only application for the scholarship in honor of Boyd Johnson, who was a dedicated member of the Board for many years. The Board approved the award to Gracelyn Deutscher subject to confirmation that she was accepted into the education program. She attended the University of Saskatchewan, College of Arts & Science pursuing her nursing interests. Again there was only one application for the Boyd Johnson scholarship in 2021. The applicant, Dakota Lambert, is a part time employee of the credit union who is looking to start a career outside of the credit union. She has applied to Computer Science program at the University of Saskatchewan. The applicant meets the current criteria of the scholarship in all respects and the Board has approved the award of the \$1000 scholarship subject to confirmation of acceptance into the program. The Board plans to review the criteria for the scholarships in 2022.

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. It is my most sincere hope that we will be able to safely meet in person at our Annual General Meeting in 2023.

Warmest regards,

Jan-Mark Gustafson  
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 2021

**January 2022**

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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).

There are 35 credit unions in Saskatchewan serving 205 communities through 232 service outlets. Saskatchewan credit unions build lives and fulfill dreams by helping our members achieve financial well-being and investing in our communities.

From providing you with a loan for your first car or a mortgage to helping you plan for retirement, you can count on us to be your complete financial partner. Your long term financial success and security is important to us. Visit your local credit union today.

## Quick Facts

**(as of December 31, 2021, unless otherwise indicated)**

- Today there are 35 credit unions in Saskatchewan serving 205 communities through 232 service outlets.
- Credit unions offer financial products and services to more than 490,000 members.
- Saskatchewan credit union assets reached over \$27.4 billion with revenue of over \$1.03 billion.
- Credit union lending amounts were over \$20 billion.
- There are 332 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 \$39.8 million to more than \$6.8 billion.
- In 2021, Saskatchewan credit unions returned over \$7.7 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 3,300 people.
- Funds held on deposit in Saskatchewan credit unions are fully guaranteed through the Credit Union Deposit Guarantee Corporation. The full guarantee is made possible through a comprehensive deposit protection regime that is focused on prevention. Read more about the [guarantee](#).

## Vision Statement

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

## Mission Statement

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

## Values

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

## Credit Union Market Code

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

- **Fair sales** "The 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."
- **Transparency and Disclosure** "The Credit Union must be open and honest in its dealings with existing and potential members."
- **Professional standards** "The credit union will conduct business in a manner that maintains its good reputation by exercising reasonable and prudent, professional judgement in the provision of products and services."
- **Privacy Of Personal Information** "Privacy protects members who do business with the credit union to ensure the secure handling of their personal information in the course of conducting business through their relationship with the credit union."
- **Complaint Handling** "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."
- **Low fee or Basic Account** "The intent is to offer a basic banking account that will accommodate all persons."



## ***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 and bylaws Saskatoon City Employees Credit Union can provide financial services to members and non-members. As of December 31, 2021 Saskatoon City Employees Credit Union had 2155 members and 13 non-members. Non-members do not participate in the democratic processes of the credit union nor the patronage program. Our credit union serves the City of Saskatoon's employees, superannuates and their families through a single branch located in City Hall. We provide a full range of traditional retail banking services and products such as personal and business deposit account products, registered investments (RRSP, RRIF, TFSA, RESP) ancillary financial services including US \$ chequing accounts, member debit cards, safety deposit boxes, internet banking including e-transfer, mobile apps with deposit anywhere capabilities and Lock'N' Block features, domestic and international wire transfers, foreign currency exchange, consumer and business loans, lines of credit, creditor insurance products, Mastercard credit cards including a US\$ credit card, on-line brokerage services with Qtrade Investor and access to mutual fund sales.

#### **Special Note:**

Our Credit Union was officially incorporated on July 7<sup>th</sup>, 1947. Throughout 2022 we will mark and celebrate our milestone of 75 years serving you.

Visit our website and Facebook page to enter monthly prize draws and for information on our celebration events.

### *Strategy*

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

Our key strategic objectives remain relevant and were carried forward for 2021. These strategies are to; a) Focus on optimizing revenues, control expenses and growth of risk-weighted assets, b) ensure we have a robust marketing strategy targeted at current and future members, increase our visibility and relevance to City employees, continually strive to raise the bar on proactive member service. c) ensure we have efficient and effective internal processes and explore opportunities to collaborate with system partners, and d) ensure our people have the training and professional development opportunities their role requires.

Once again, our Credit Union performance was severely challenged by the Covid -19 pandemic and continued Saskatchewan Health Authority (SHA) guidelines and restrictions. As staff and management we continued to modify and 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 2021 are: a) we improved our net earnings but were not able to achieve our target ROA ( Return on Assets) of 0.35% as our after tax ROA is 0.31, we fell short of our efficiency ratio target of less than 80% as we finished year end with a efficiency ratio of 83.81%; our loan portfolio decreased, while our assets, member deposits, and investments increased. Although, our 2021 net earnings exceeded 2020 earnings, the board, due to circumstances, was not able to declare a dividend. Improving our efficiency is a never-ending goal as efficiency translates to stronger earnings; b) for our marketing strategy we were able to increase our visibility as we promoted our new logo and aligned communications to present a consistent image; unfortunately, the continued SHA restrictions and guidelines limited the effectiveness of working with the City of Saskatoon Employees Internal Communications Specialist city employees continued to work remotely. Our service delivery channels were improved with security features for members as we wait on Credit Union partners to deliver contracted enhancements; c) Reviewed our processes which translates to increased member trust, member 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, although in 2021 training was limited to online learnings and webinars, to enhance our competencies and to keep pace with the increasing complexities of the financial industry.

## **Key Performance Results**

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

Our audited financial statements for our Credit Union are included within this report. The following results analysis uses the externally prepared audited financial statements provided by Virtus Group LLP as of December 31, 2021.

### **Financial Performance:**

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

Our assets increased year-over-year by **12.93%** or **\$9.2 million** to end 2021 at **\$80.4 million** from **\$71.2 million** in 2020. This compares to the 2020 asset growth of **9.19%** or **\$5.99 million** and 2019 increase in assets of **\$1.0 million** or **1.57%**.

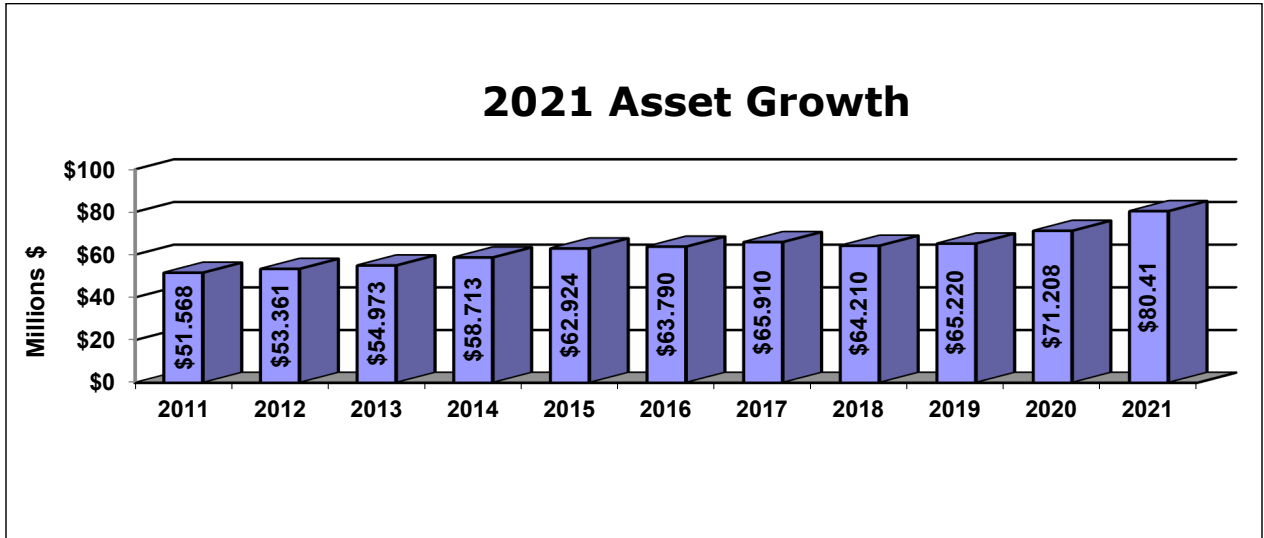
A year over year comparison shows our loan portfolio decreased in 2021 by **(2.91%)** or **(\$1.53)** million to end the year at **\$50.95 million**. This compares to 2020's decrease of **(4.35%)** or **(\$2.39M)** and 2019's loan increase of **\$3.2M** or **6.25%**.

Our investments increased over the year for the second consecutive year, as of December 31, 2021, our investments had increased year over year by **\$9.7M** or **101%**, essentially doubling. In 2020 investments increased by **\$2.05M** or **27.08%**, while 2019, we saw a decrease in investments of **(\$3.59M)** or **(32.2%)**. Our cash holdings increased from 2020 to 2021 of **\$1.03M** or **11.36%** with cash deposits totalling **\$10.05M**.

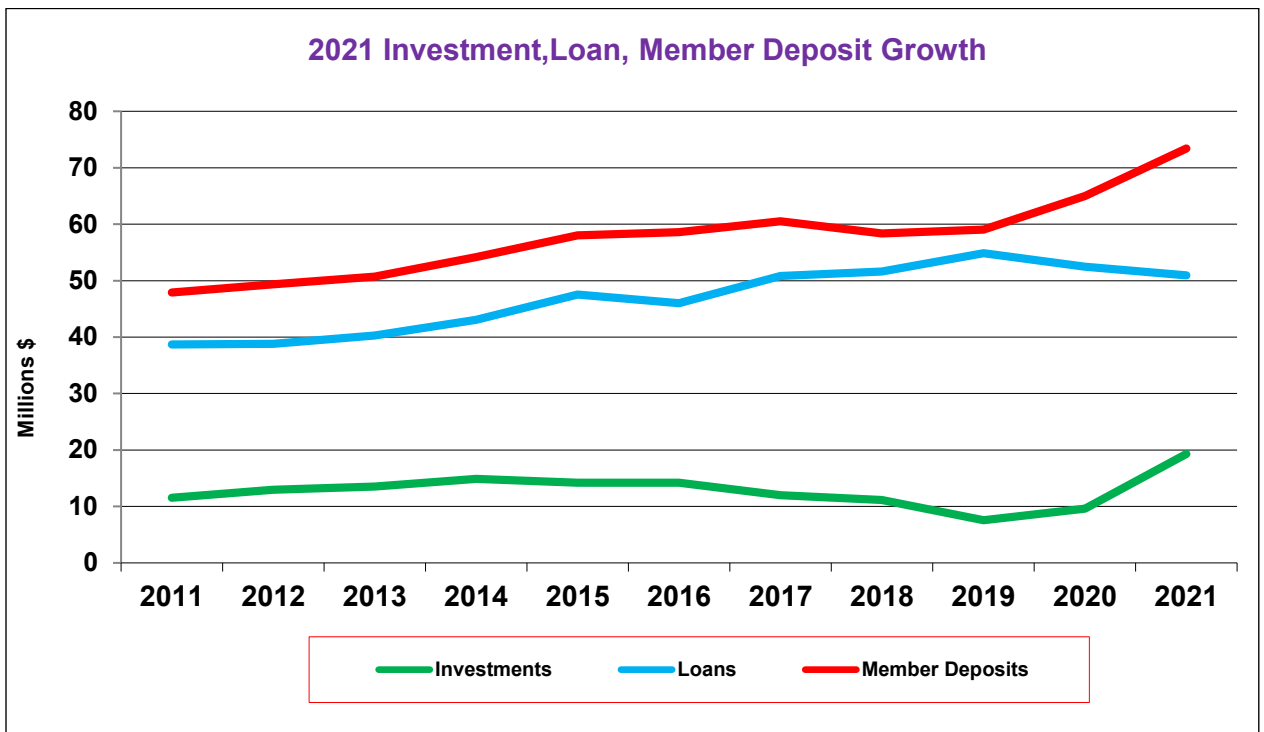




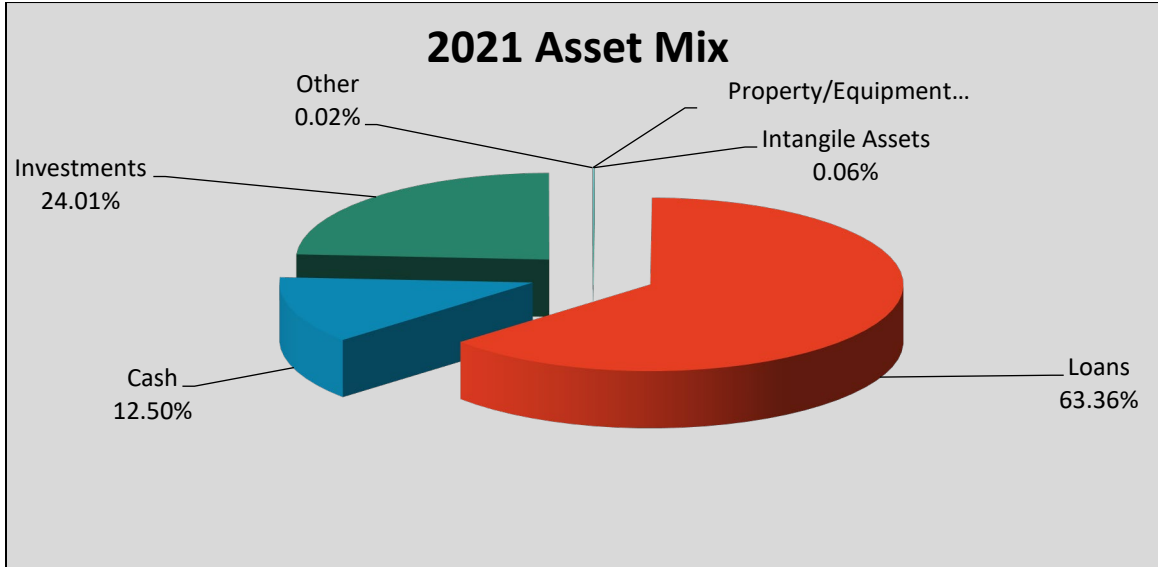
Member deposits increased by a growth rate of 12.99% or \$8.44M to \$73.41M as of December 31, 2021. This compares with 2020 results which saw a year over year increase of \$5.91M or 10.0%.



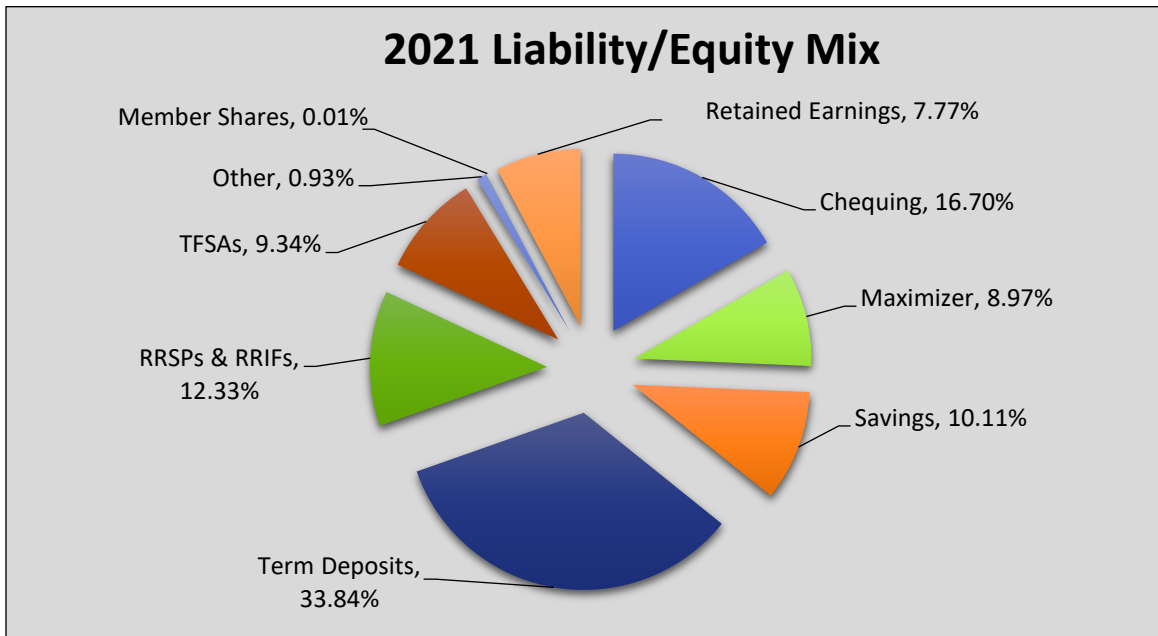
Member deposits are used to fund loan demand with the difference placed in investments. Should loan growth exceed deposit growth then the Credit Union will use investments to fund loan requests. The following chart illustrates the results in relational balance sheet items.



Below is an illustration of our asset composition as of December 31, 2021. 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, 2021.



### 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, 2021, we had a total loss exposure, which are all loans 90 days or more delinquent, of **four (4) loans** for a total of **\$14,119 or 0.03%** of our total loans. This compares to **December 31, 2020, of 6 loans for 2.51% or \$1.225M**. The 2021 average for the Saskatchewan Credit Union system is **0.86%**.

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 **\$214,402**. Our impaired loan loss provision, for expected credit loss for **2021 is \$39,911 or 0.08%** (*\$20,000 or 0.04% for individual specific allowance and \$19,911 as a general allowance*) of our total loans. This compares to 2020's allowance of **\$74,000 or 0.14%** for our loan loss provision. In both 2020 and 2019 we wrote off zero (0) loans for \$0.00, however in **2021** we wrote off **3 loans for \$15,911**, a sign of the tougher economic conditions in 2021 for our members.

### Loan Portfolio Mix:

A combination of the decrease in our loans and the strong growth in our deposits resulted in our loan to asset ratio for 2021 to decreased to **63.36%** (**73.69%-2020; 84.12% - 2019**) of our assets. As this ratio is an indicator of our liquidity risk our regulator monitors this ratio. The target loan to asset ratio is 80.0%. Due to lower consumer confidence and general uncertainty regarding further SHA restrictions and lockdowns our loan demand also waned and resulted in a reduction of our loan portfolio by **(2.91%) or \$1.53M, (2020 decreased 4.35%)**. Our loan portfolio is predominantly consumer credit representing as of December 31, 2021, **78.68%**, (**73.69%** for December 31, 2020), of our total loan portfolio. Personal mortgages comprise **82.25%** of the consumer loan portfolio compared to **84.88%** the prior year. Our consumer mortgages represent **64.71%** (**2020-68.38%**) 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.

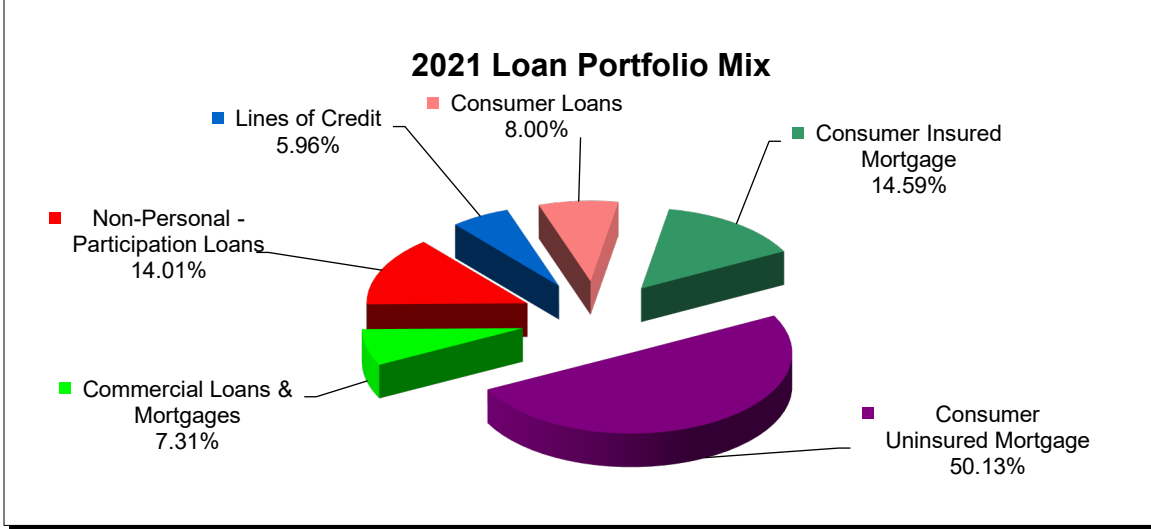
Our board's risk appetite loan portfolio mix is as follows:

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

The proposed risk appetite provides management with options to diversify the loan portfolio in an effort to make better use of our current capital and pursue potentially higher earnings.

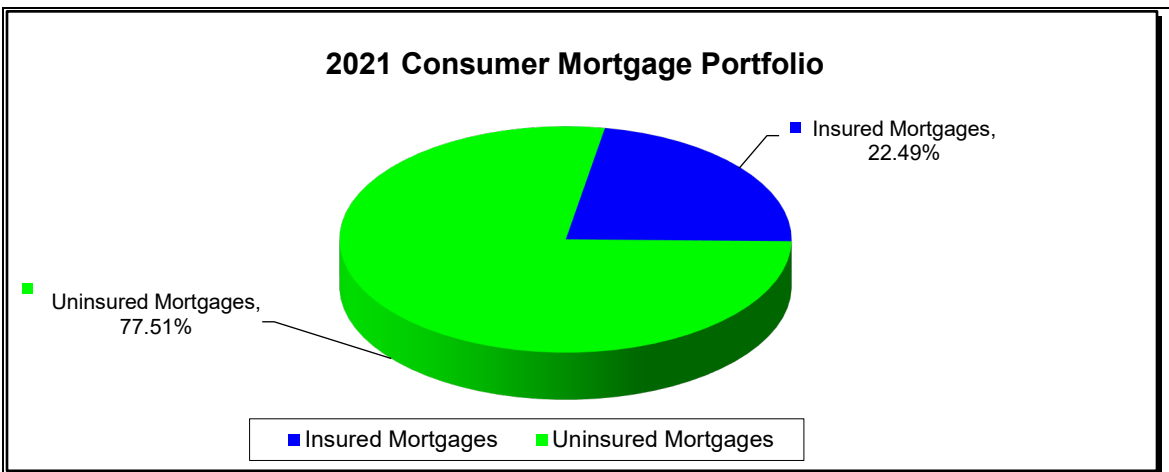


Our loan portfolio mix is illustrated in the chart below as of December 31, 2021.



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 down payment of 5% and 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.

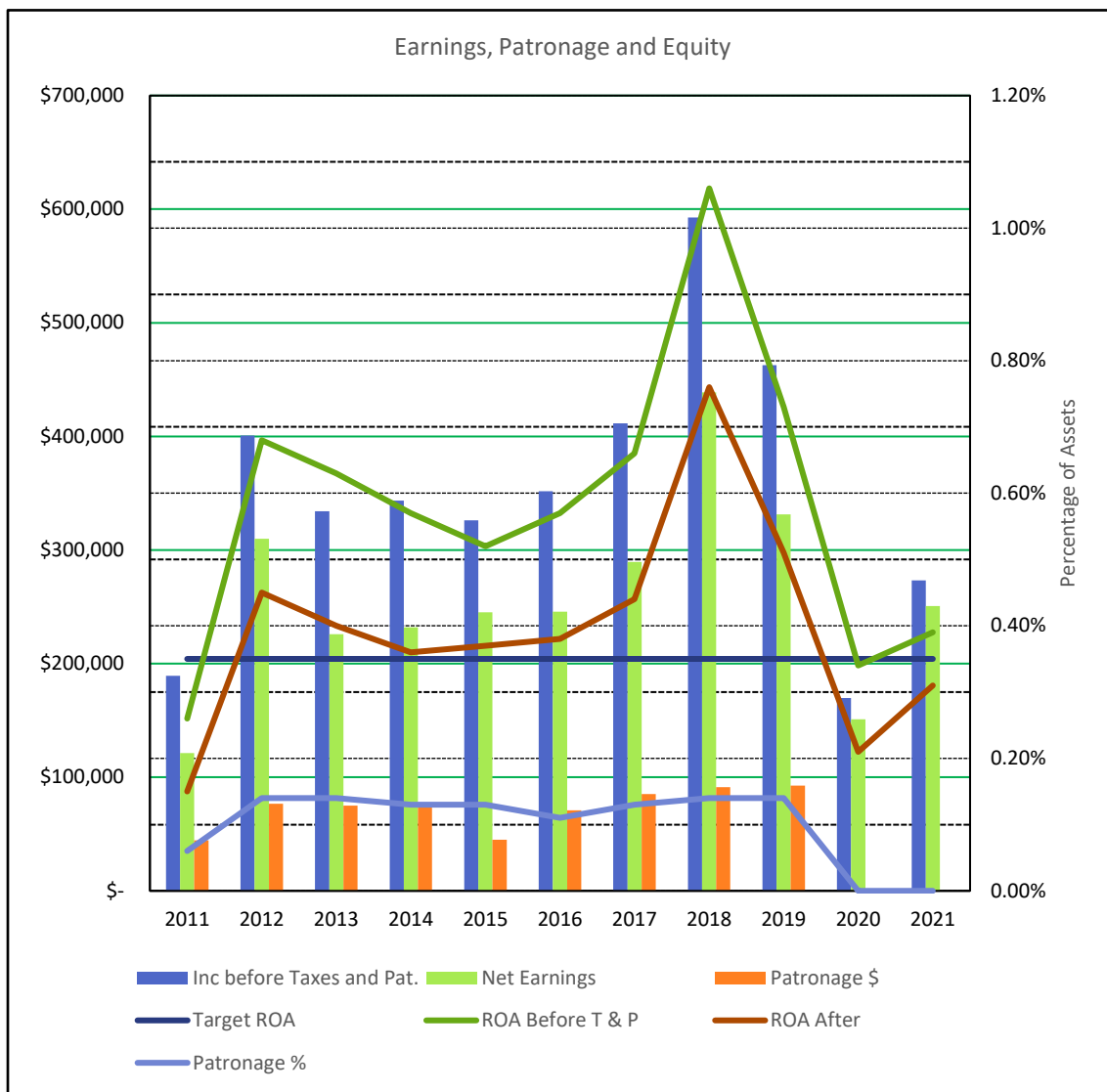
Our residential mortgage portfolio of \$33,047,534 includes principal and accrued interest and is comprised of \$7,433,424 or 22.49% insured mortgages and 77.51% or \$25,614,110 of uninsured (conventional) mortgages.

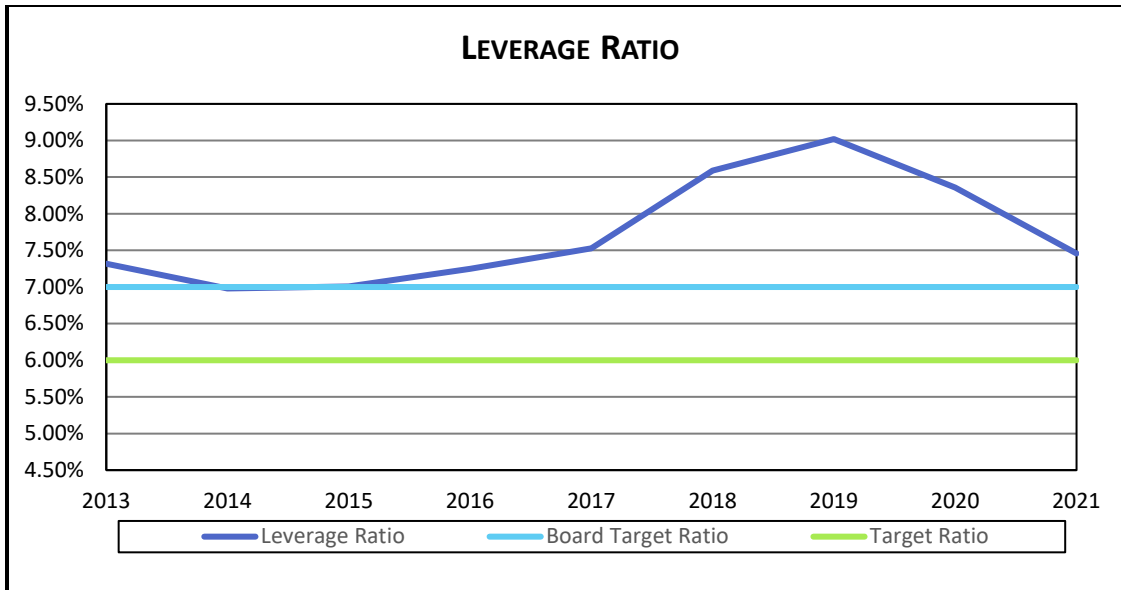


## Capital and Profitability Management

### Return on Assets (ROA):

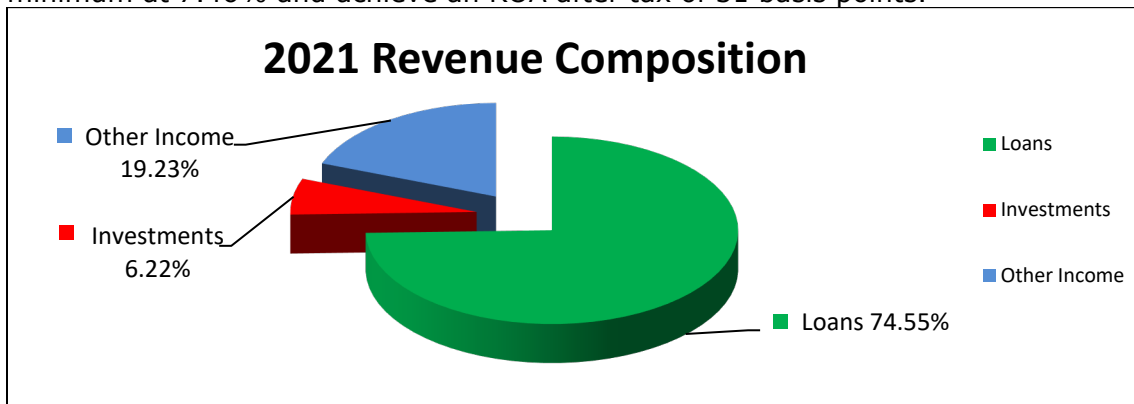
Profitability is another indicator of the Credit Union performance measured by the return on assets. For our purposes we measure the net income generated compared to the assets of our credit union. As of **December 31, 2021**, our ROA "after tax" is **31 basis points**, "before patronage and tax allocation" our ROA is **34 basis points**. In contrast the system ROA "after tax" of 61 basis points and the ROA "before patronage and tax allocation" of 64 basis points. Our ROA as of December 31, 2020 was **21 basis points** (**51 basis points - 2019**). The 2020 Consolidated Credit Union system ROA "before patronage and tax allocation" was 46 basis points. Ideally a ROA would be between 55 and 75 basis points. Your board has set a ROA target of 35 to 50 basis points.



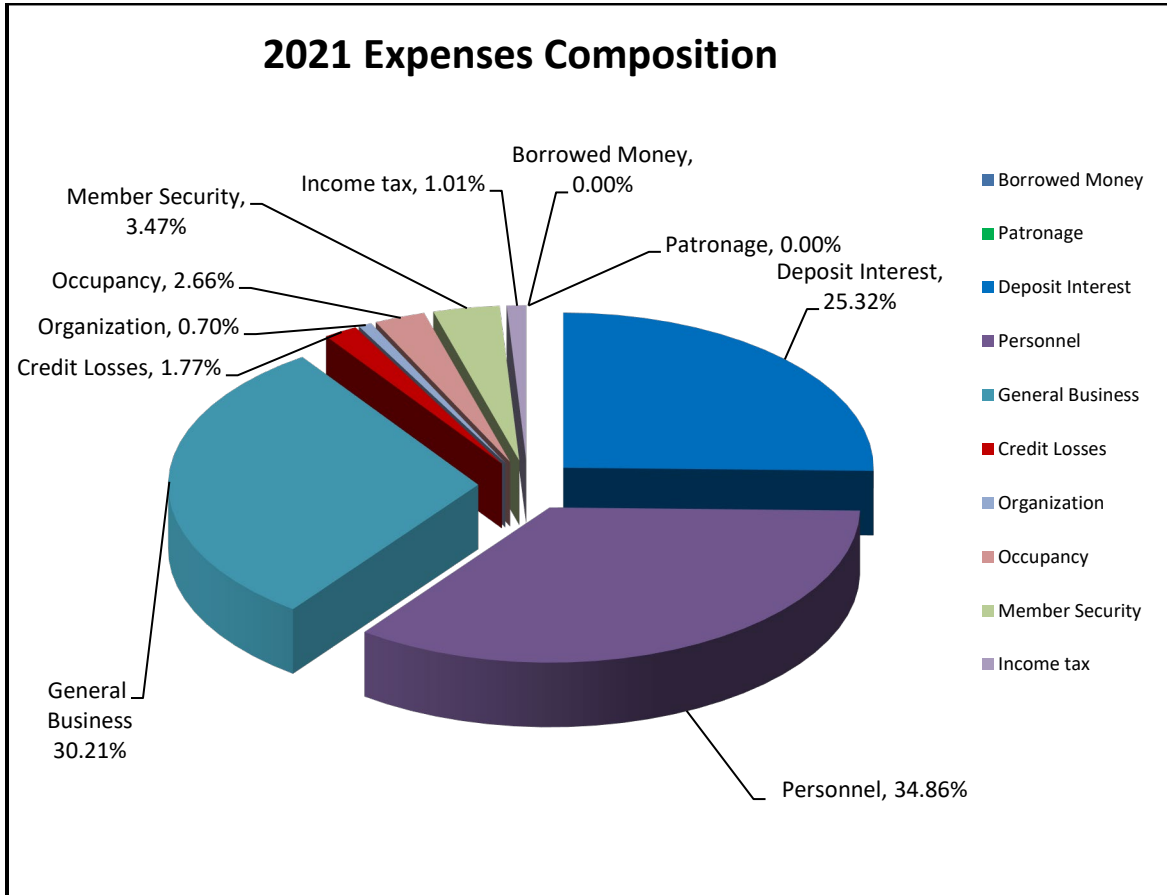


Although our 2021 net annual earnings of **\$250,595** exceed prior year our net earnings continued to be impacted by effects of the CoVid-19 pandemic restrictions and the economic repercussions. Our loan demand was reduced, member job stability and confidence are shaken, interest rates remained low, and inflation began to take hold. Our earnings included \$83,500 of benefits from the Canada Emergency Rent Subsidy (CERS), Canada Emergency Wage Subsidy (CEWS), and the Canada Recovery Hiring Program (CRHP). We also experienced loan losses and we expensed an additional **\$39,911** in 2021 as an Expected Credit Loss (ECL).

Revenue composition includes loan interest, investment, and non-interest income. Our loan and investment revenues decreased while non-interest income increased. Loan revenues decreased by **(8.76%)** due to lower interest rates and lesser portfolio, our investment income decreased by **(19.66%)** due to the reduction in our investments yields, and our non-interest income increased by **63.92%** partially because of the government subsidies. 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 7.46% and achieve an ROA after tax of 31 basis points.



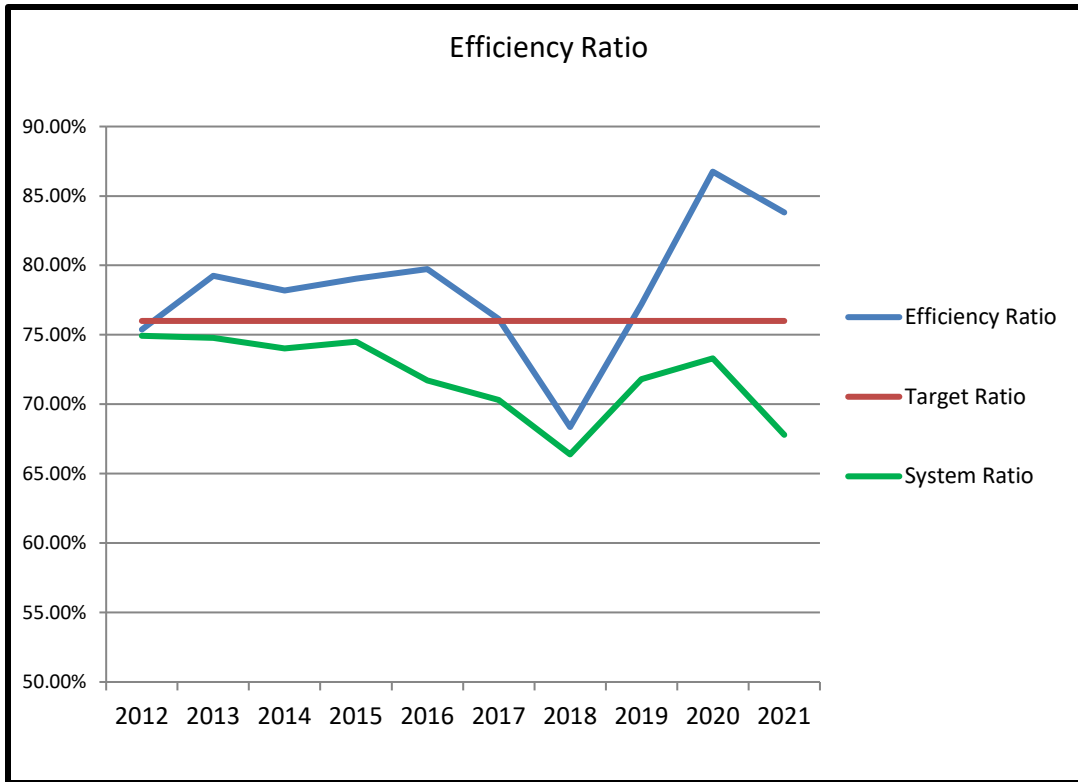
Our expenses are comprised of member deposit interest, interest on borrowed money, patronage, credit losses, operating expenses (general business, occupancy, organizational, personnel and member security) and taxes. Our member deposit interest expense also decreased due to low interest rates despite a significant increase in 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, 2021, is 83.81%, (2020 – 86.75%), (2019 – 76.98%) while the Saskatchewan Credit Union system ratio is 67.79% for December 31, 2021, and 73.3% for 2020. 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, 2021, our LCR is **523.73%**, well above the current requirements of 100%, while the credit union system is at 221.37%.

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 2021 beginning with loan paydowns in the fourth quarter of 2020 and improving thereafter as our member deposit growth outpaced our loan growth. This resulted in our operating liquidity as of December 31, 2021 to be 126.01% well above our 100% target ratio. To optimize liquidity the Credit Union has strategies to deal with this matter including aggressively solicit loans, purchase loans and/or leases and increase our longer-term investments.

Although not a current significant risk management of operating liquidity will continue to be addressed by management in 2022.





## People

### Members

In 2021 our memberships decreased by (2.8%) from 2217 members to 2155 members. There were 84 new member records opened and 146 member records and 7 non-member records closed for a net decrease of 62 memberships and 7 non-member records. In 2020, 87 new member records were opened, and 116 member records were closed for a decrease of 29 (1.43%) and (1.43% decrease – 2019). The Credit Union system experienced a membership increase of 0.85% in 2021.

### 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 22, 2022, each for three-year terms. One (1) incumbent, Marty Irwin has offered to let his name stand and seek re-election to the board. The remaining two positions are vacant as the board chair, Jan-Mark Gustafson, having served on the board from 2011-2020, and fulfilling the one-year term he was elected to at the 2020 AGM, is not seeking re-election and Bill Davern, who was first elected to the board in 2015 has completed his three (3) year term. We thank all the members of the board for their service to the Credit Union and extend our appreciation to Bill Davern, and Jan-Mark Gustafson for their commitment and service to our board.

### Staff

I extend my sincere gratitude and appreciation to our staff and management for continuing to deliver timely, personal, friendly, and professional service to our members over the past year amidst all the challenges we encountered. I am very proud to work along with our staff and management as they have once again risen to the challenge to provide our members with the high level of service throughout the CoVid-19 pandemic restrictions, maintaining a safe working environment for fellow employees and a safe environment for our members. As our office is located in City Hall and we are obligated to abide by not only SHA guidelines but by the corporate City of Saskatoon restrictions. 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 and 2021. As restrictions changed our staff and management adapted, changing protocol as necessary to continue service to our members which may have been restricted but uninterrupted.

Our dedicated staff complement of 11 members consists of 8 full-time and 3 part-time employees with a 3-member management team. We've seen a few personnel changes in 2021 as staff turnover resulted in fourteen (14) employees on our payroll records for 2021. We bid farewell to Drew Tady, Cara Saccucci, and Gail Wolfe who all resigned to pursue other interests. Joining our team in 2021 is Steven Hartmann, our Accounting/ Clearing/ System Support clerk, Charlene McClean, and Dakota Lambert as part-time member service representatives.



We also extend our congratulations to Graeme Bittner for achieving in 2021 his milestone of 15 years of service in the Credit Union system the last 10 years with Saskatoon City Employees Credit Union.

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

## Summary

Overall, our Credit Union had measured success in 2021 with unprecedented double-digit growth in our balance sheet, and slightly improved net earnings although less than average. Our net earnings are acceptable considering 2021 has been a year of a continued low interest rate environment, increasing competition in financial service delivery, supply chain challenges, increasing inflation, uncertainty, and general lack of consumer confidence, and continued pandemic restrictions. Despite the challenges our Credit Union still managed to experience new memberships, an increase in assets, investments and member deposits, positive net earnings, and strong capital and liquidity ratios. Saskatoon City Employees Credit Union has a great opportunity to grow and be successful in our niche market. A focus on loan growth, increase in the number of full-service members thus increasing our profitability and net earnings in 2022 will create 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 2022 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 SaskCentral to assist our Credit Union in developing complete updated and integrated Capital and Liquidity plans. Management contracted the services of SaskCentral National Consulting to assist management with an analysis of our Credit Union's risk exposure and identification of risk mitigation strategies.

Each year our credit union spends significant resources measuring and assessing risks and ensuring we are adequately prepared to serve our membership now and in the future. This process is called enterprise risk management (ERM) and is a requirement of credit unions in Saskatchewan as laid out by Credit Union Deposit Guarantee Corporation. As the risks remain relevant in 2021 the board and management reviewed thirteen (13) risks. The identified risks have been categorized into 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. 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 risk to an acceptable moderate severity the following strategies were implemented: we will strengthen relationships with members, adopt new technologies based on member needs and ability of the Credit Union to afford, and ensure staff are trained to use relevant technology. Contract with Collaborative Solutions to stay current with technology development, and contract with PPJV to offer members a modernized payment solution. The board has acted to mitigate risks by implementing a recruitment process including a director eligibility declaration, budgeted for board training and encourages directors to take training courses.

### **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 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, 2021, our LCR is **523.73%**, 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, 2021, our loan to asset ratio is **63.36%** well below our board target of 80% and is a going concern facing SCECU. 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 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, 2021, our total loss exposure, which is all loans 90 days or more delinquent, is four (4) loans for a total of **\$14,119 or 0.03% (2.51%-2020)**.

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 to maximize our returns while remaining compliant with regulatory standards by supplementing our loan portfolio with syndication of loans, participation loan purchases and investigate lease financing. As of December 31, 2021, we have funded or participated in, a total of \$7.11 million with Concentra Bank (Wyth Financial) and New Community Credit Union versus \$6.38 million in 2020.



## **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 2021 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), and Anti-Spam Legislation (CASL) to name but a few.

## **Operational Risk**

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

To manage this risk SCECU has established policies, procedures, and internal controls and continues to review these to ensure they are compliant and effective. We will continue to collaborate with other Credit Unions to achieve efficiencies, continue to pursue cost effective training for our staff, engage the staff in improving the service culture and strategy for the Credit Union and develop performance plans. We will when required capitalize on our support services by contracting 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, and in 2021 we have signed a two (2) year extension of service to expire December 31, 2025. For our members protection we have implemented measures such as password access, encryption of data, authority levels and built-in security systems to protect member information as well as backing up all data and banking system information. In addition, we have contracted Central 1 for Proactive Fraud Management service and enhance our members fraud protection with Two Step Verification for members online banking.



A renewed three-year contract with SaskCentral Market Solutions to perform internal audits has 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 policies, procedures, 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 mix and look for additional opportunities to grow our portfolio. We will also conduct regular pricing reviews. We will continue to explore opportunities to work with like-minded credit union system players to increase our business efficiencies.

### **Human Resource Risk**

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

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

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

SCECU has placed Open Banking on its radar as an emerging risk and will address this matter in 2022. 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. Its 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, the Credit Union Deposit Guarantee Corporation (CUDGC), Financial Transactions & Reports Analysis Center of Canada (FINTRAC), Canada Revenue Agency (CRA), Government of Saskatchewan Provincial Sales Tax (PST), Insurance Council of Saskatchewan (ICS), Office of the Privacy Commissioner and Canadian Payments Association (CPA).

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



## ***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 monthly at the regular board meetings as a standing agenda item.

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

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

In 2021 the board of directors held ten (10) regular meetings and three (3) audit meetings. Attendance ranged from a low of 64% to high of 100% attendance, with only two (2) members being excused for attending less than the required minimum.

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

### ***Director Training***

Training and retraining will be used to increase and maintain the existing board member skills and understanding, and for the orientation of candidates for board membership. As the entire board policy may be daunting to new and prospective board members, new board members will receive a Board of Directors Orientation Manual to assist them with an understanding of Saskatoon City Employees Credit Union including a brief history of our Credit 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 2021 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 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), \$1,000.00 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 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. 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**

To assist management and the board in proper management of the capital an ICAAP analysis is performed on a quarterly basis and reported to the board accordingly. Saskatoon City Employees Credit Union has performed an Internal Capital Adequacy Assessment Process (ICAAP) to determine the impact of risks to our Credit Union's capital position. Through this process it was determined that we will require total capital of 13.70% of our risk-weighted assets as of December 31, 2021.

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>2021</b>		
	Common Equity Tier 1	Total Tier 1	Total Eligible Capital
CUDGC Minimum Ratio Regulatory Limits - ( <i>as a % of risk-weighted assets</i> )	<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>13.70%</b>
Saskatoon City Employees Credit Union Achieved Ratio /2021	<b>16.17%*</b>	<b>16.17%*</b>	<b>16.57%*</b>
	<b>December 31, 2020</b>		
	<b>17.30%*</b>	<b>17.30%*</b>	<b>17.89%*</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 15.16% as of December 31, 2021.

Although, our total capital ratio decreased slightly from the previous year end we still finished 2021 with a surplus of 2.87% 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, 2021 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>2021 Results</b>	<b>2020 Results</b>
5.00%	Not less than 7.00%	<b>7.46%</b>	<b>8.36%</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.

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 2022 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: March 23, 2021

### Board of Directors

Name	Department	Start Date	Term Expiry
Bill Davern	Retired – City Solicitor	AGM - 2015	AGM – 2022
Martin Irwin	Retired – Provincial Court Judge	AGM – 2016	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
Stanley Macala	President of CUPE Local 59	AGM – 2012	AGM – 2024
Richard Woodvine	Retired- Community Services	AGM – 2021	AGM – 2024
Jan-Mark Gustafson	Retired (Infrastructure Services)	(AGM – 2021) (AGM – 2011)	(AGM – 2022) (AGM – 2020)

### Executive

Effective: April 29, 2021

Chairman	Jan-Mark Gustafson
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)	Allen Beck

### Staff

As of March 23, 2021

Years of Service

	<u>With SCECU</u>	<u>Total CU Service</u>
Gail Gillard	35yrs 9 mths	
Michelle Lane	24yrs	
Charlotte McCracken	17yrs 3 mths	25yrs 3 mths
Stephanie Serblowski	P/T - 6yrs 6 mths	7yrs 10 mths
Drew Tady	3yrs 5 mths	3yrs 5 mths
Sophie Korol	1 yr 6 mths	1 yr 6 mths
Scott Roesch	3yrs 4 mths	26yrs 7 mths
Graeme Bittner	9yrs 8 mths	15yrs 3 mths
Dennis Lozinsky	20yrs 9 mths	35yrs 6 mths

### 2021 New Hires

Steven Hartmann  
Charlene McClean (P/T)  
Dakota Lambert (P/T)

**SASKATOON CITY EMPLOYEES CREDIT UNION**

**SASKATOON, SASKATCHEWAN**

**INDEPENDENT AUDITORS' REPORT AND  
SUMMARY FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

## MANAGEMENT'S RESPONSIBILITY COMMUNICATION

### To the Members

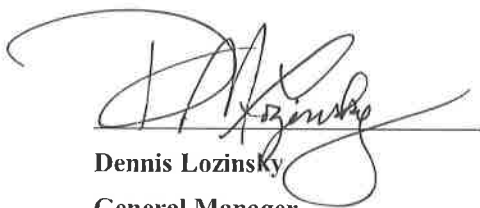
#### Saskatoon City Employees Credit Union

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 the Credit Union's financial reporting and the adequacy of the system of internal controls.



**Dennis Lozinsky**  
General Manager



**Jan-Mark Gustafson**  
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, 2021, 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, 2021.

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 24, 2022.

#### *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*

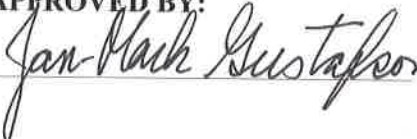
Our responsibility is to express an opinion on whether the summary financial statements are a fair summary of the audited financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, *Engagements to Report on Summary Financial Statements*.

**February 24, 2022**  
**Saskatoon, Saskatchewan**

*Virtus Group LLP*  
**Chartered Professional Accountants**

**SASKATOON CITY EMPLOYEES CREDIT UNION**  
**SUMMARY STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2021**  
**(with comparative figures for 2020)**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 10,052,634	\$ 9,027,376
Investments	19,311,619	9,607,338
Loans receivable	50,947,208	52,473,400
Other assets	16,700	12,400
Property and equipment	84,270	88,148
	<u>\$ 80,412,431</u>	<u>\$ 71,208,662</u>
<b>LIABILITIES</b>		
Deposits	\$ 73,407,726	\$ 64,970,437
Other liabilities	744,795	228,670
Shares	11,005	11,245
	<u>74,163,526</u>	<u>65,210,352</u>
<b>MEMBERS' EQUITY</b>		
Members' equity	6,248,905	5,998,310
Accumulated other comprehensive income	-	-
	<u>\$ 80,412,431</u>	<u>\$ 71,208,662</u>

APPROVED BY:  
 Director

 Director

**SASKATOON CITY EMPLOYEES CREDIT UNION**  
**SUMMARY STATEMENT OF CHANGES IN MEMBERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
(with comparative figures for the year ended December 31, 2020)

	<u>2021</u>	<u>2020</u>
<b>RETAINED EARNINGS</b>		
Retained earnings - beginning of year	\$ 5,998,310	\$ 5,847,260
Net income	<u>250,595</u>	<u>151,050</u>
Retained earnings - end of year	<u>\$ 6,248,905</u>	<u>\$ 5,998,310</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>\$ 6,248,905</u></u>	<u><u>\$ 5,998,310</u></u>

**SASKATOON CITY EMPLOYEES CREDIT UNION**  
**SUMMARY STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
(with comparative figures for the year ended December 31, 2020)

	<u>2021</u>	<u>2020</u>
<b>Interest revenue</b>		
Loan	\$ 1,867,846	\$ 2,047,201
Investment	155,808	193,926
	<u>2,023,654</u>	<u>2,241,127</u>
<b>Interest expense</b>		
Borrowed money	38	108
Member deposits	571,072	744,242
Patronage allocation	-	116
	<u>571,110</u>	<u>744,466</u>
<b>Net interest</b>	1,452,544	1,496,661
<b>Provision for credit losses</b>	39,911	74,000
<b>Net interest after provision for credit losses</b>	<u>1,412,633</u>	<u>1,422,661</u>
<b>Other income</b>	<u>481,987</u>	<u>294,041</u>
<b>Operating expenses</b>		
General business	681,190	591,647
Occupancy	59,922	54,751
Organizational	15,778	20,913
Personnel	786,031	807,796
Security	78,357	72,043
	<u>1,621,278</u>	<u>1,547,150</u>
<b>Income before income taxes</b>	273,342	169,552
<b>Income taxes</b>		
Current	27,047	15,002
Deferred (recovery)	(4,300)	3,500
	<u>250,595</u>	<u>151,050</u>
<b>Net income before other comprehensive income</b>	<u>250,595</u>	<u>151,050</u>
<b>Other comprehensive income</b>	<u>-</u>	<u>-</u>
<b>Total comprehensive income</b>	<u>\$ 250,595</u>	<u>\$ 151,050</u>

**SASKATOON CITY EMPLOYEES CREDIT UNION**  
**SUMMARY STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
(with comparative figures for the year ended December 31, 2020)

	<u>2021</u>	<u>2020</u>
<b>Cash provided by (used in) operating activities:</b>		
Net income	\$ 250,595	\$ 151,050
Items not involving cash:		
- Amortization	41,443	39,890
- Provision for credit losses	39,911	74,000
Net change in other assets and other liabilities	511,825	28,268
	<u>843,774</u>	<u>293,208</u>
<b>Cash provided by (used in) investing activities:</b>		
Investments	(9,704,281)	(2,047,236)
Loans receivable	1,486,281	2,313,200
Property and equipment	(37,565)	(59,918)
	<u>(8,255,565)</u>	<u>206,046</u>
<b>Cash provided by (used in) financing activities:</b>		
Deposits	8,437,289	5,906,099
Patronage paid out	-	(92,000)
Shares	(240)	(220)
	<u>8,437,049</u>	<u>5,813,879</u>
<b>Increase in cash</b>	1,025,258	6,313,133
<b>Cash position - beginning of year</b>	<u>9,027,376</u>	<u>2,714,243</u>
<b>Cash position - end of year</b>	<u>\$ 10,052,634</u>	<u>\$ 9,027,376</u>



**SASKATOON CITY EMPLOYEES CREDIT UNION**  
**NOTES TO THE SUMMARY FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(with comparative figures for the year ended December 31, 2020)**

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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, 2021 and December 31, 2020 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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**Saskatoon  
City Employees**  
Credit Union

Join us this year for monthly draws, promotions, and much more as we celebrate 75 years of success, growth, and commitment to you.



**SAVE THE DATE**

**Celebrating  
Serving You**



**Date: Saturday, September 10th, 2022**

**Location: Saskatoon Forestry Farm Park and Zoo**

Join us for an afternoon of fun, food, and activities

*More event details coming soon*

