



2021

ANNUAL REPORT



Churchbridge Credit Union



**Saskatchewan
Credit Unions**

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CHURCHBRIDGE CREDIT UNION
76th ANNUAL GENERAL MEETING
Monday, April 25, 2022
7:00 PM
AGENDA

1. Call to Order
2. Adoption of Agenda
3. Reading of the Minutes from the Last Annual General Meeting held April 26, 2021
4. Business Arising from the Minutes/Adoption of the Minutes
5. President's Report
6. Management Discussion and Analysis
7. Auditor's Report
8. Presentation of the Financial Statements
9. Motion to Accept Reports
10. Appointment of Auditors
11. Election Report
12. Long Term Service Awards Presentation
13. Question Period
14. Door Prizes
15. Adjournment

CHURCHBRIDGE CREDIT UNION

With Branches In

CHURCHBRIDGE and LANGENBURG

INCORPORATED APRIL 20, 1945

BOARD OF DIRECTORS

<u>NAME</u>	<u>ADDRESS</u>	<u>OCCUPATION</u>	<u>TERM EXPIRES</u>
Marilyn Debnam	Churchbridge	Saskatchewan Health Authority	2024
Jennifer Marlowe	Regina	Accountant	2024
Judy Miller	Langenburg	Business Owner	2023
Wendy Lutz	Churchbridge	Retired Teacher	2023
Howard McCullough	Langenburg	Retired Town Administrator	2023
Kevin Popp	MacNutt	Farmer	2022
Brenda Becker	Churchbridge	Office Administration	2022

EXECUTIVE

President
Vice President
Secretary
Treasurer

Brenda Becker
Howard McCullough
Tehra Lauer
Ryan Tebbutt



STAFF

Name	Position	Cooperative Experience	
Martina Crowdis	Financial Assistant/Advisor	3	Months
Atul Bhatt	Member Service Representative	6	Months
Victoria Leier	Member Service Representative	11	Months
Nicole Rathgeber	Member Service Representative	1	Year
Kayla Clay	Member Service Representative/Accounting Assistant	2.5	Years
Kristin Atkinson	Member Service Representative	3	Years
Sydney Brady	Loans Assistant	3.5	Years
Chelsea Tall	Member Service Representative	4	Years
Randi Russett	Financial Advisor	4.5	Years
Tehra Lauer	Support Services Assistant	6	Years
Klarence Ganding	Member Services Representative/Wealth Assistant	7.5	Years
Megan Schaan	Office Assistant	8	Years
Kendra Patzwald	Technical Support/Project Coordinator	9.5	Years
Rebecca Pash	Accounting Assistant	9.5	Years
Lois Laboucane	Loans Officer II	12.5	Years
Janessa Liepert	Loans Officer	13	Years
Danielle Shackleton	Office Assistant	13.5	Years
Cheryl Kitz	Senior Member Service Representative	13.5	Years
Courtney Dormon	Loans Officer	14	Years
Elliana Margarit	Loans Officer II	14.5	Years
Keri Melnyk	Member Service Representative	15	Years
Deidra Schaan	Loans Assistant	15	Years
Andrew Barker	Loans Manager	19.5	Years
Rachele Marlowe	Senior Member Service Representative	20.5	Years
Ryan Tebbutt	CEO	21.5	Years
Brenda Yanke	Deposit & Compliance Supervisor	23.5	Years
Gaylene Putland	Support Services Supervisor	24.5	Years
Connie Olm	Deposit & Support Services Manager	27.5	Years



Churchbridge Branch



Langenburg Branch

Presidents Message

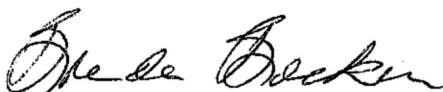
It has been another year of many changes, new faces in the building and at the board table. We welcomed two new board members, Jennifer Marlowe and Marilyn Debnam, who have brought a wealth of knowledge to our board table.

The year has again brought many challenges to the meeting process. Many virtual and socially distanced meetings have been held. I want to thank all our Board Members for the guidance, knowledge, and commitment they provide to Churchbridge Credit Union. To the management and all employees thank you for the ongoing dedication and commitment you have shown through challenging times to making Churchbridge Credit Union the great organization we are today. And most of all thank you to our members for your continued trust, business, and support. We look forward to life returning to normal with social distancing and face masks a thing of the past so we can see those smiling faces once again.

As the Board of Directors our priority is to provide sound governance and risk oversight to our Credit Union. We have our internal and external auditors assess our credit union annually. Those regular audits provide additional reassurances to the regular reporting we receive from the management team. We also receive quarterly reports from our Credit Union Deposit Guarantee Corporation (CUDGC) who monitor credit union activity on an ongoing basis. Your Board of Directors are satisfied that Management provides sound financial and risk management of your Credit Union.

Our credit union had strong loan and deposit growth through 2021 but like many other credit unions we continue to see our margins narrow due to the record low interest rates. The overall economy strength has had negative impacts on some of our members which resulted in some difficult decisions to be made. Fortunately, we have managed to stay well above our policy standards and will continue with our Community Initiatives Program of giving back to the communities we serve.

On behalf of the Board of Directors I would once again like to thank all our stakeholders for your continued support of Churchbridge Credit Union.



Brenda Becker

President of the Board of Directors

Management Discussion and Analysis

Introduction

Churchbridge Credit Union is an independent Saskatchewan credit union owned by its members. Under the current credit union legislation, Churchbridge Credit Union is able to provide financial services to members and non-members. As of December 31, 2021 **Churchbridge Credit Union** had **3,036** members and **295** non-members. Non-members *do not* participate in the democratic processes of the credit union nor are they eligible to participate in our Member Profit Sharing patronage program.

Our credit union has branches in **Churchbridge** and **Langenburg**. We serve the communities and surrounding areas of Churchbridge, Langenburg, MacNutt and Bredenbury. We provide a full range of services including financial, investment, commercial, agricultural, and personal loans and mortgages as well as insurance and wealth management services.

PURPOSE

We strive to be progressive and dedicated to keeping our members and communities our top priority.

VALUES

Churchbridge Credit Union believes in integrity, community involvement, innovation, teamwork, providing excellent member service, supporting our staff, and the co-operative principles.



Churchbridge Credit Union
Bringing Communities Together

Credit Union Market Code

Churchbridge Credit Union voluntarily adheres to the Credit Union Market Code. This code was jointly developed by Saskatchewan credit unions, SaskCentral and Credit Union Deposit Guarantee Corporation 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 Churchbridge Credit Union.
- **Fair sales** by outlining the roles and relationship of staff to all members/clients and in accordance with the financial services agreement.
- **Financial planning process** to advise members/clients on the risks and benefits associated with financial planning services.
- **Privacy** to protect the interests of those who do business with Churchbridge Credit Union. Privacy is the practice to ensure all member/client information is kept confidential and used only for the purpose for which it was gathered.
- **Professional standards** to preserve a positive image of Churchbridge Credit Union among our members, clients 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 Churchbridge 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, Churchbridge 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 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 usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members

allocate surpluses for any or all the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting 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 they 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.

Strategic Planning

The vision of Churchbridge Credit Union is to be the leading provider of a full range of financial services in Churchbridge, Langenburg and surrounding areas. To monitor specific objectives throughout the year that support this vision, we have developed a performance management framework that establishes measures and monitors our progress toward achieving our goals.

Our key strategic objectives in 2021 focused in the following areas:

Financial Focus

Objective: *Maintain and build our financial strength to support managed growth.*

Desired State: *We will have the financial results necessary to fund our Strategic Priorities.*

Our continued financial strength is fundamental to our ability to execute on our strategies, maintain a patronage program and products and services to our members. Our financial strength will encompass net earnings, efficient operations, and capital and liquidity strength.

Community Focus

Objective: *Be a leader in our communities through investment and community support.*

Desired State: *We are recognized for our long-term commitment to our communities through our investment, volunteerism, and sponsorships.*

Investing in our communities, through volunteerism and sponsorship, are at the core of who we are as a credit union. Also, educating our communities about our Purpose and Values.

Member Focus

Objective: *Increase the depth of member (internal and external) relationships. Explore potential member relationships outside our traditional trading area.*

Desired State: *We strive to meet the current and emerging needs of our members.*

Serving our members is why we exist. Our competitive advantage is built on:

- Ensuring we actively develop and increase our financial relationships with our members.
- Increase our visibility (across all channels) in underserved communities.
- Increase our profitable agricultural portfolio through locally originated loans.
- Continually seeking to better understand our member's needs.
- Understanding the needs of those in our communities who have not yet become members.

Internal Business Processes Focus

Objective: *Ensure efficient and relevant member focused processes.*

Desired State: *We will choose cost-effective technology and processes that provide the greatest benefit for the credit union and our members.*

As our member expectations, communities, and the general financial environment continue to evolve, we will take a proactive approach in determining our future.

We will accomplish this through:

- Proactively engaging like-minded credit unions in pursuing opportunities that add value for our members (current and future).
- Understand which bank customers use our services.
- Ensuring our business model is robust and flexible to evolve with the changing environment (ex: technology, products and services, branch structure, etc).

People and Culture Focus

Objective: Attract and retain member focused people (employees, management, and board) that align with our culture.

Desired State: We have people that support and develop deeper financial relationships with members. Our people feel they are well supported by the credit union in their growth and development.

Our people, regardless of whether their functional roles are internally or externally focused, are critical to successfully executing our strategies and delivering on our value proposition to our members.

We accomplish this through:

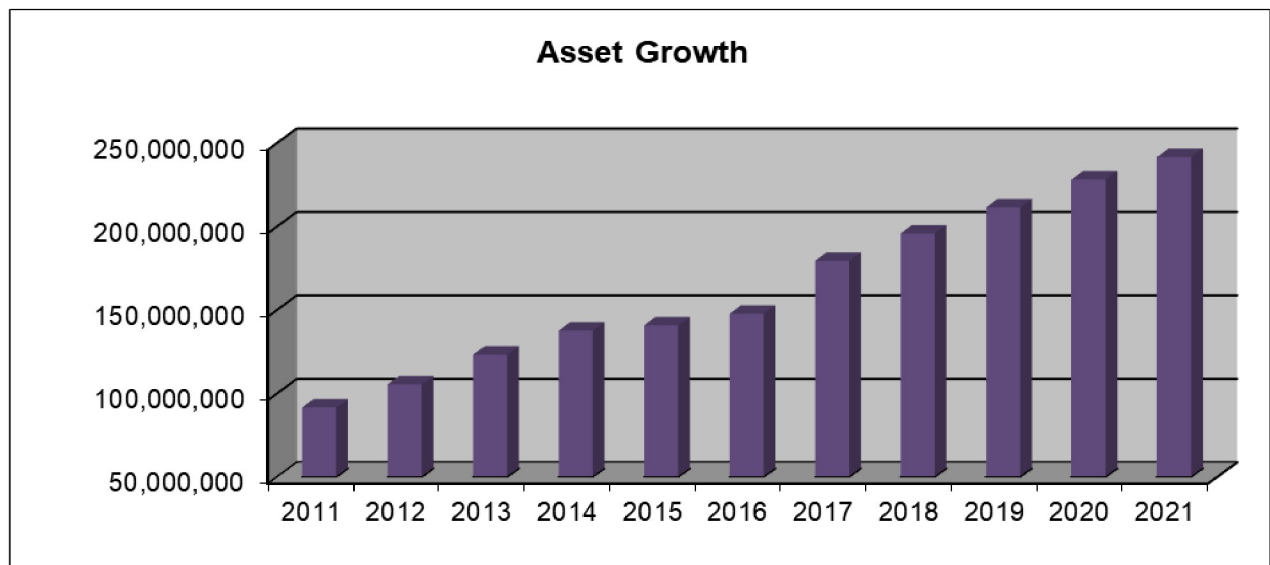
- Ensuring we maintain highly engaged people.
- Ensuring a smooth corporate knowledge transition across the organization.
- Ensure we continue to attract, train, and retain qualified board members and staff.
- Understanding our people's retirement plans to ensure smooth succession.

Financial Results

The following report will discuss the different aspects of our year on a financial basis including reports on assets, loans, deposits, profitability, and capital and liquidity management.

Assets

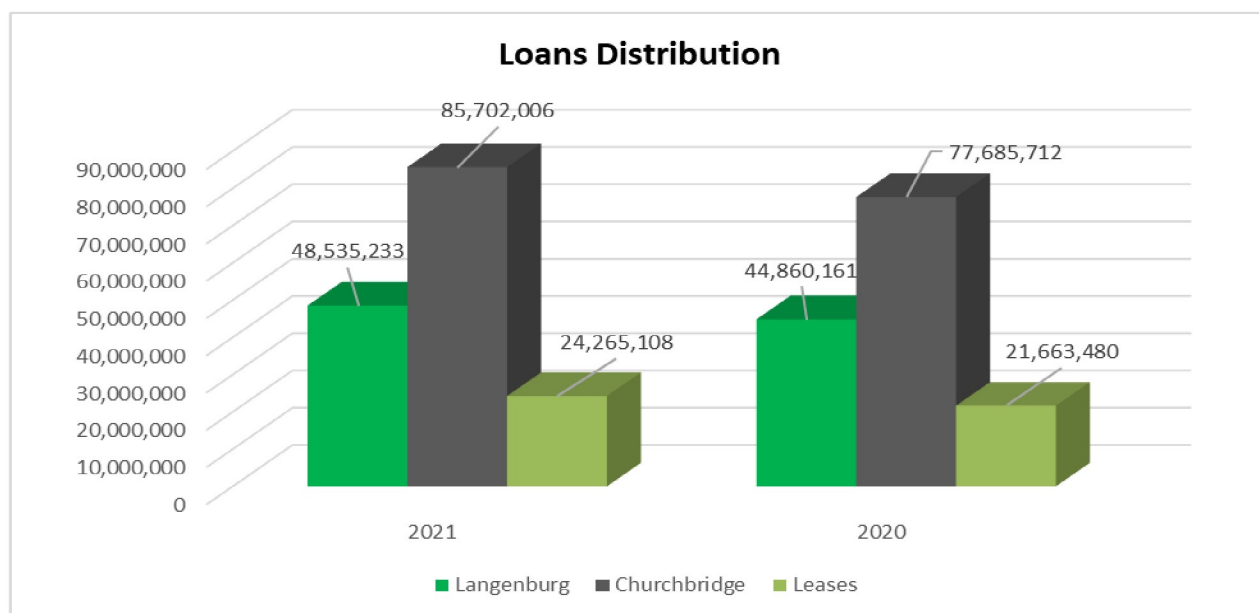
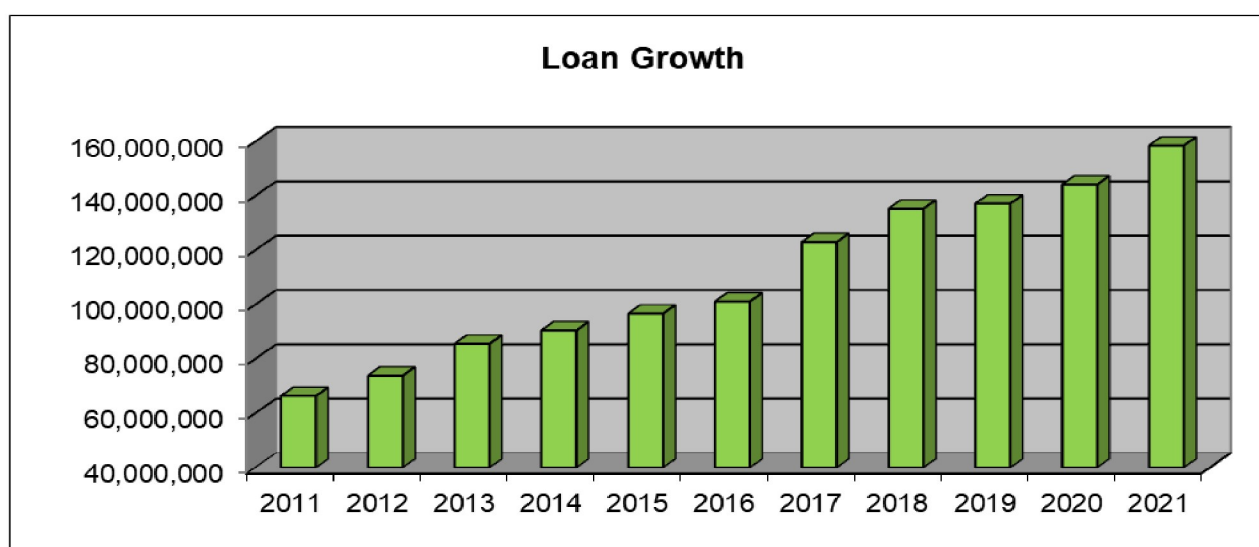
Our assets at year-end were **\$241,801,496**, which includes both our “on book” assets of **\$209,584,911** and “off book” mutual funds amount of **\$32,216,585**. This is an increase of **\$13,430,803** or **5.9%** over 2020. Even with operations through a pandemic over the past few years we continue to see decent growth. Both loan and deposit growth were strong throughout 2021.



Member Loans

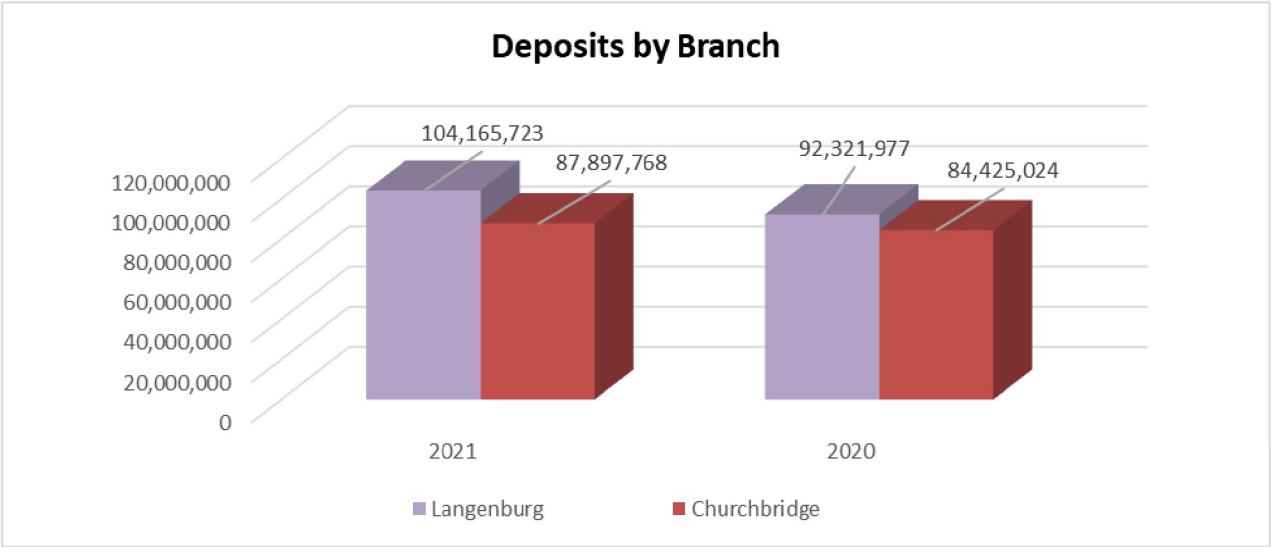
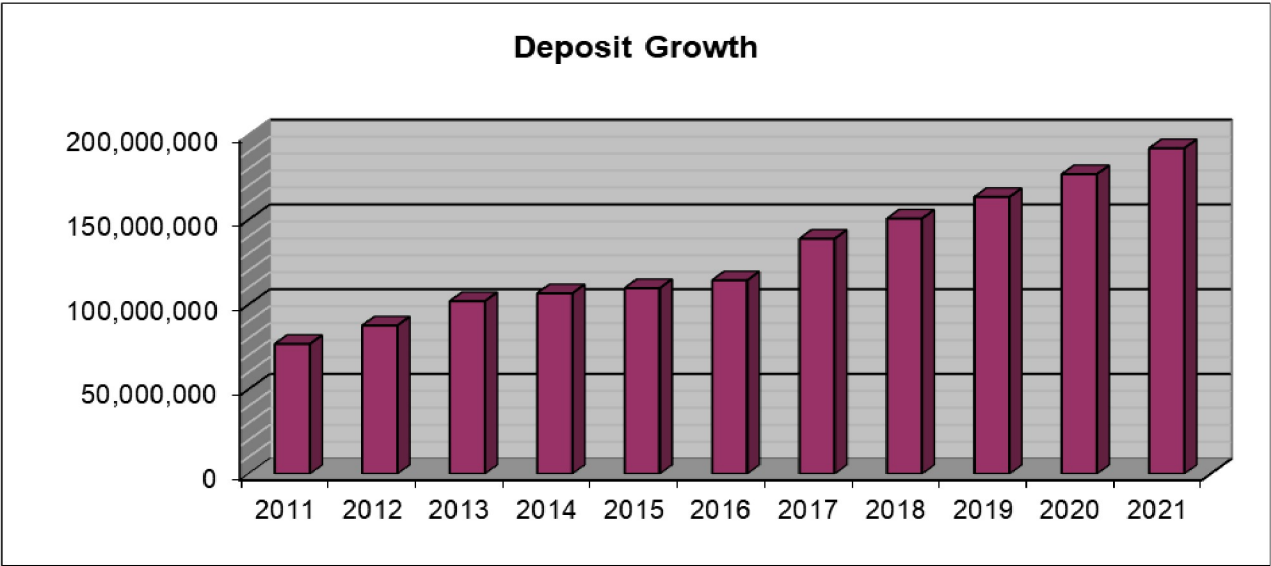
Our member loans, which form most of our assets, at year-end, were at **\$158,502,347**, which is up from **\$144,209,353** or **9.9%** from 2020. Our overall delinquency at year-end was at **1.93%**, which is an increase of **1.22%** from 2020. Our over 90-day delinquency was at **1.78%**, which is an increase of **1.36%** from last year's total of **0.42%**. In 2021, we approved, extended or amended **746** loans, which is down **125** from the previous year. In dollars, this amounted to **\$72,612,920** in loans, which is down **\$12,688,974** or **-14.9%** from 2020.

In terms of approved loans only, in 2020 approved loans totaled **\$27,647,936** and in 2021 the approved loans totaled **\$37,657,627**. This was an increase of **36.2%** over 2020. We saw many loans at the beginning of the pandemic which were extended or amended. The 2021 extensions and amendments were more than half of the 2020 levels.



Deposit Growth

As of year-end, member deposits totaled **\$192,063,491**, which is an increase of **\$15,316,490** or **8.67%** in 2021. Almost all deposit product lines experienced growth throughout 2021.



Our “off book” Mutual Fund Portfolio declined slightly in 2021. This was due to market volatility brought on by economic uncertainties throughout the pandemic. We also had a change in long-term staffing in the wealth department. The portfolio showed a decrease of **\$2,136,370** or **6.22%** from 2020, ending the year with a balance of **\$32,216,585**.

Profitability

Our income after income taxes was **\$500,729** and was distributed as follows:

Retained Earnings	\$500,729
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Our 2021 profitability was down \$956,427 from the prior year. Despite the ongoing pandemic, 2021 had balanced growth between loans and deposits, which contributed to overall asset growth. However, the current economic situation resulted in our Credit Union's provision for expected loan losses to increase by \$1,017,834 over 2020. Additionally, prime rates decreased in 2020, and many loan and deposit products matured and were repriced to market levels in 2021 which resulted in lower revenue and expenses. These items contributed to lower overall profitability, compared to the prior year.

The Credit Union strives to achieve a reasonable profit. This helps us build a strong capital base, which is essential for the financial health and long-term viability of our Credit Union. Having a satisfactory level of profitability allows us to improve services we provide to our members, and it also allows us to allocate Member Profit Sharing Dividends.

The current economic situation plaguing the world these past couple of years has been no secret. Although our area has been more fortunate than others, our members have not come through unscathed. After much discussion around the board table, with our accountants, and amongst management, the Churchbridge Credit Union Board of Directors has elected to issue a payment of \$250,000 from members' retained equity accounts in lieu of the traditional patronage payment. We appreciate our members and would like to show that, through this unconventional form of payout. This change does not mean the end of our Member Profit Sharing Program. The Board of Directors and Management Team are merely choosing fiscal responsibility and pausing the program this year.

Even with the reduction in income from the previous year, our Credit Union remains well above regulatory and board set policy expectations across all key performance indicators. Like many financial institutions, our main revenue stream comes from issuing loans. As such, there is a risk that we will experience losses from time to time. The Churchbridge Credit Union remains a strong financial institution here to serve our membership and our communities.

Capital Management

Churchbridge Credit Union recognizes a need to build the credit union's capital position to continue to meet regulatory and sound operational requirements. Adequate capital levels will enable the credit union to sustain its liquidity requirements, to safely fund development initiatives, and provide leverage to effectively manage performance standards.

The Credit Union has developed a **Capital Plan** to identify optimal capital ranges for the Credit Union. The measures the Board and Management will employ to work towards those optimal capital ranges is based on the following statements:

- If we have too little capital, it restricts the credit union's ability to grow and generate good returns. It also increases the risk of having insufficient funds to cushion against unexpected losses or liquidity needs.
- If we have too much capital, it could be considered that the credit union is not generating sufficient return on its capital.

Churchbridge Credit Union's **Capital Plan** is directly related to its service delivery strategies and risk philosophy. The credit union holds a low to moderate appetite for risk. We have focused on traditional financial services and have managed a low level of risk in our loan and investment portfolio. Churchbridge Credit Union has been able to adjust to any economic changes by maintaining a reasonable profit margin and by taking a managed approach to its deposit and loan growth.

Credit unions operate in a highly regulated environment where **Credit Union Deposit Guarantee Corporation (CUDGC)** sets regulatory standards to which each credit union must adhere. The standards segregate between two types of capital – **Tier 1** and **Tier 2**, with Tier 1 capital being the primary capital and having the highest quality. The standards require that each credit union hold a minimum common equity Tier 1 capital ratio of 8.5% of risk-weighted assets and a total eligible capital ratio of 10.5% of risk-weighted assets. In addition, credit unions are currently required to maintain a minimum **Leverage** ratio standard >5% and guideline >7% for total eligible capital (eligible capital divided by total assets), with the total assets adjusted for deduction from capital and the addition of certain off balance sheet items. The standards accurately measure the need for capital based on a credit union's corporate risk profiles. It considers not only the quantity of capital, but also the quality of capital and assets.

In 2021, Churchbridge Credit Union's capital grew by **\$500,729** from operations and another **\$234,007** from the prior year patronage allocations to member equity accounts. Over the past few years, with higher deposit and loan growth, along with the recent loan allowance increase, our capital ratios had trended slightly downwards. Through careful balance sheet management, the credit union continues to maintain strong capital levels.

In 2021, even with downward trending brought on from the overall economy, Churchbridge Credit Union continues to exceed the statutory requirements in all three areas. Our **Leverage Ratio** decreased from **8.29%** to **8.03%**. Our **Tier 1 Capital to Risk Weighted Assets** decreased from **13.40%** to **12.40%**. Our **Total Eligible (Tier 1 and Tier 2) Capital to Risk Weighted Assets** decreased

from **16.56%** to **15.47%**. Through analysis of our **Internal Capital Adequacy Process**, we have calculated our optimal capital target level to be **15.19%**. This process is reviewed quarterly to ensure we understand and strive to remain at or above our optimal capital level.

We build our Tier 1 capital through profitability, which contributes to total retained earnings and our Tier 2 capital is a result of allocations to member equity accounts, which has been an integral part of our long-term capital growth strategy. Managed growth of the member equity accounts is an important part of our overall capital plan.

Capital is a very limited resource. The ability to raise capital is restricted to profits from operations, which is either kept in retained earnings or shared with members through patronage payments to our members equity accounts. Our policy is to allocate our earnings in the following order:

1. Build our capital until capital standards are met.
2. Ensure that we build an additional capital base up and above standards to support future growth, development and to provide financial soundness.
3. Patronage allocations or dividends (Member Profit Sharing Program).

Churchbridge Credit Union's strategy is to continue to grow our capital levels. We plan to manage our growth and our profitability, so that we can achieve this strategy.

Churchbridge Credit Union manages capital in accordance with its capital management plan and board approved capital policies, both of which are reviewed on a regular basis. The capital plan is developed in accordance with the regulatory capital framework provided by CUDGC and is regularly reviewed and approved by the Board of Directors.

Liquidity Management

One of Churchbridge Credit Union's primary objectives is to prudently manage liquidity to ensure the credit union can generate or obtain sufficient cash or cash equivalents in a timely manner and at a reasonable price to meet commitments as they come due, even under stressed conditions.

The credit union maintains a liquidity plan in support of its liquidity policy and CUDGC regulatory guidance. The liquidity plan undergoes regular reviews and is approved by the Board of Directors. As per the plan, the credit union maintains a stock of high-quality assets while regularly measuring and monitoring its available liquidity and performs stress tests to identify sources of liquidity strain. To complement its' management liquidity process the credit union also maintains an external borrowing facility with SaskCentral to help manage clearing and settlement and unforeseen funding requirements. At December 31, 2021, the credit facility was not in use.

The credit union's liquidity is measured by an operating liquidity ratio, which considers projected cash inflows as a percentage of projected cash outflows. As of December 31, 2021, the ratio was **104.59%** compared to 2020 at **173.63%**. The credit unions target range is 50% to 200% for this measure.

CUDGC has also issued **Liquidity Standards** that came into effect on January 1, 2017. The standards provide a framework, which allows the Corporation to assess whether we maintain adequate and appropriate liquidity levels. A key component of the Liquidity Standards is the introduction of the **Liquidity Coverage Ratio (LCR)**. The objective of the LCR is to ensure that we have an adequate stock of unencumbered high quality liquid assets (HQLA) that:

- Consist of cash or assets that can be converted to cash at little or no loss of value.
- Meet its liquidity needs for a 30-calendar day liquidity stress scenario, by which time it is assumed corrective actions have been taken by the credit union and/or the CUDGC.

The credit union completed an assessment of the **LCR** on December 31, 2021 and our ratio was **655.6%**. This ratio continues to exceed the regulatory minimum standard of **100%**.

Another liquidity calculation we monitor on a regular basis is our **Loans to Assets (LTA)** ratio. This ratio calculates the percentage that our loans are in comparison to our assets. As of December 31, 2021, we were lent out **75.39%**, which is below our optimal operating range of **78% to 82%**. The higher you are lent out, equals a stronger profitability. This is due to loans generating a much better return than the return on an investment. Although we must be conscious of the impact a higher lent out ratio will have on our day-to-day liquidity requirements and capital ratios.

If our **LTA** ratio were to exceed the **82%** mark, we would then implement mitigation strategies as documented in our liquidity plan to reduce the ratio to an acceptable level.

Key Performance Indicators

To monitor our success in accomplishing our goals and objectives, we have established the following key performance indicators:

Result Areas	Target/Goal	Actual	Provincial Average
Deposit Growth	3 – 6%	8.72%	4.77%
Loan Growth	3 – 7%	10.79%	3.43%
Loan Delinquency (>90 days)	0.25 – 1%	1.78%	0.86%
Leverage Ratio	8.0 – 8.5%	8.03%	8.75%
Total Eligible Capital/Risk Weighted Assets	15 – 17%	15.33%	15.16%
Non-Interest Revenue	0.45 – 0.55%	0.49%	0.76%
Non-Interest Expense	2.0 – 2.25%	1.74%	2.11%
Profit (prior to taxes & patronage)	0.7 – 0.9%	0.32%	0.83%
Efficiency Ratio	60 – 70%	65.53%	67.79%

Enterprise Risk Management (ERM)

Each year our credit union spends significant resources measuring and assessing risks and ensuring we are adequately prepared to serve our communities now and in the future. This process is called Enterprise Risk Management and is a requirement of credit unions in Saskatchewan as laid out by Credit Union Deposit Guarantee Corporation. Management completes a process of identifying risks annually that are reported to the Audit and Risk Committee. Through this process, the following risks were identified according to their potential impact on Churchbridge Credit Union.

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.

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.

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.

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.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events. Exposures to this risk arise from deficiencies in internal controls, technology failures, human error, employee integrity or natural disasters.

Credit Risk

Credit risk is the risk of loss arising from a borrower or counterparty's inability to meet its obligations. Sources of credit risk include direct lending activities and holdings of investment securities.

Residential Mortgage Loan Portfolio

In accordance with **Credit Union Deposit Corporation (CUDGC)** guidelines, Churchbridge Credit Union is required to provide additional credit disclosures regarding its residential mortgage portfolio.

A few years back, CUDGC introduced regulatory guidance relating to **Residential Mortgage Underwriting**. The guideline reaffirms the need for credit unions to have a stress-testing regime that considers unlikely, but plausible, scenarios and their impact on the residential mortgage portfolio. Results of these stress tests are considered in the credit unions **Internal Capital Adequacy Assessment Process (ICAAP)**. The credit union reflects assets with inherently greater risk through risk-sensitive increases in capital as identified through our ICAAP process.

The credit union is limited to providing residential mortgages of no more than **80%** of the collateral value, which is known as a **Loan to Value (LTV)** ratio. If the credit union obtains default insurance, we can lend at a higher loan to value ratio. The insurance is contractual coverage that protects the credit union against potential losses caused by the borrower's default. Government-backed entities or other approved private mortgage insurers can provide default insurance. Currently the credit union uses **Canada Mortgage Insurance Corporation (CMHC)** to provide residential mortgage default insurance.

The credit union also provides **Home Equity Line of Credits (HELOC's)**, which is a form of non-amortizing (revolving) credit that is secured by a residential property. Unlike residential mortgages, most HELOC's are not structured to fit a predetermined amortization, although regular, minimum periodic payments are required. The credit union is limited to providing the non-amortizing HELOC component of a residential mortgage to a maximum authorized LTV ratio of less than or equal to **65%**.

At year-end, our **\$144,209,353** loan portfolio was comprised of **24.6%** of **uninsured** conventional residential mortgages and **14.9%** of CMHC **insured** residential mortgages and **0.01%** in **HELOC's**. In line with the **Residential Mortgage Underwriting Guidelines**, the credit union will continue to review its mortgage underwriting practices and documentation to ensure it meets the guidelines standards. The credit union does not believe it has undue risk in its uninsured mortgage portfolio or underwriting practices and the current risk-weighted, asset-based concentration provision in the ICAAP sufficiently addresses risk in the residential portfolio.

Regulatory Matters

Corporate Structure and Governance

The governance of Churchbridge Credit Union is anchored in the co-operative principle of democratic member control. Overall, our corporate structure is designed to hold accountable the areas of Member Service Delivery (Cash Services, Investments, Lending and Insurance), Technology, Human Resources, Corporate Finance, Corporate Governance, and Legislation Compliance.

Board of Directors

Mandate and Responsibilities

The board is responsible for the strategic oversight, business direction and supervision of management of Churchbridge 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.

The board of directors acknowledges its responsibilities as including:

- Exercising the powers of the credit union directly or indirectly through employees.
- Establishing and maintaining prudent policies for the operation of the credit union.
- Directing the management of the business affairs of the credit union
- Acting honestly and in good faith with a view to the best interests of the credit union at the exclusion of other interests.
- Exercising the care, diligence and skill of a prudent person in directing the credit union's affairs.

The board of directors is accountable to the members of the credit union for directing the affairs of the credit union and maintaining policies, which are responsive to their needs, and the needs of the credit union, for sound operations.

Board Composition

The board is composed of 7 individuals elected by the membership, with 4 board members representing the Churchbridge District and 3 board members representing the Langenburg/MacNutt District. All terms are for three years. Nominations are made by the membership. Voting is by secret ballot, in branch the week prior to our annual general meeting. The election results are announced at the annual general meeting.

Committees

The responsibilities of the board in a modern financial services organization involve an ever-growing list of duties. Churchbridge Credit Union maintains several committees comprised of directors. This partitioning of responsibilities enables a clear focus on specific areas of activity vital to the effective operation of our credit union.

➤ **Executive Committee**

This committee acts in the capacity of, and on behalf of the board of directors between regular or special board meetings on all board matters, except those which the board may not, in compliance with legislative requirements, delegate.

➤ **Audit and Risk Committee**

The purpose of the committee is to ensure an independent review of the credit union's operation on areas deemed necessary to maintain the integrity of financial data, adequacy of internal controls and adherence to requirements of *The Credit Union Act, 1998*, *The Credit Union Regulations, 1999*, *The Credit Union Insurance Business Regulations*, and the *Standards of Sound Business Practice*. The committee will also ensure that the credit union's enterprise risk management framework is appropriate to optimize liquidity, market, credit, regulatory, operational, location, and strategic risk, for the protection and creation of shareholder value.

➤ **Member Relations Committee**

Provides liaison between the credit union and its members and communities by monitoring needs, recommending services for board consideration to meet those needs, planning activities that respond to expressed interests and recommending changes or amendment to service policies that may better serve member, customer, community, and credit union needs.

➤ **Building and Properties Committee**

On behalf of the board, the committee works with management in the development of policies and plans relevant to credit union service facilities and credit union owned housing facilities.

➤ **Nominating Committee**

Oversees the nomination and election processes for elections of credit union directors.

➤ **Conduct Review Committee**

The purpose of the conduct review committee is to ensure that all proposed related party transactions are fair to the credit union and that the exercise of the best judgement of the credit union has not been compromised because of a real or perceived conflict of interest. Related party transactions will be reviewed and monitored by the Conduct Review Committee (the "CRC") for compliance with legislation, standards of sound business practice, and with credit union or committee policies and procedures. Apart from any review by the CRC, credit decisions are to be made by regular credit granting authority, policies, and procedures.

Compensation and Attendance

The Board annually reviews directors' compensation and makes recommendations to ensure it remains competitive with other provincial credit unions. In 2020, we had budgeted \$27,186 and the actual remuneration was \$18,575. We also budgeted \$2,266 for mileage and our actual expense was \$978.

The board holds monthly board meetings plus a strategic planning session, budget meeting and compensation meeting each year. In addition to the above, the directors also attend special board meetings, the annual general meeting and committee meetings.

In 2021, the Board of Directors held eleven board regular board meetings. Average attendance at the regular board meetings was 95%.

Director Training

All directors are enrolled in the Credit Union Director Achievement (CUDA) program and registered with the CUSource online program. Some directors are graduates of the program. Also, the directors have a subscription to an online training program with CU Training. All directors are encouraged to attend director training when it is available. In 2021, we budgeted \$5,933 for director training and development and our actual expenses were \$14,581.

Executive Management

The executive management team consists of Ryan Tebbutt – Chief Executive Officer, Connie Olm – Manager of Deposit & Support Services and Andrew Barker – Manager of Lending.

Corporate Social Responsibility (CSR)

Churchbridge Credit Union places a high awareness on our social responsibility and the well-being of our communities. We believe that we have the ability and the responsibility to step forward to support the social, cultural and economic enrichment of our communities. We continue to support events in our communities through scholarships, cash donations, donation of items and the donation of staff time.

Each year we allocate **2.5%** of our pre-tax profits into our “**Community Investment Program**”; with **1.5%** distributed annually to local non-profit organizations and the remaining **1%** set aside to help fund larger projects such as schools, health care, daycares, recreational projects, etc. Based on our 2021 profitability, we have set aside **\$16,000**, which will be donated to worthwhile organizations within our communities. Since inception of the **Community Investment Program**, we have donated **\$331,300** towards worthwhile causes within the communities we serve.

In addition, in 2021 our staff provided **431** volunteer hours within the communities we serve. Our staff also participated in 90 acts of kindness throughout the year.

MEMBER PROFIT SHARING *program*



Traditionally, Churchbridge Credit Union allocates a percentage of surplus earnings to our members based on patronage. The more business our members conduct with us, the higher their allocation will be. Since the program's inception in 2000, we have allocated just over \$6.14 million dollars.

The current economic situation plaguing the world these past couple of years has been no secret. Although our area has been more fortunate than others, our members have not come through unscathed. After much discussion around the board table, with our accountants, and amongst management, the Churchbridge Credit Union Board of Directors has elected to issue a payment from members' retained equity accounts in lieu of the traditional patronage payment. We appreciate our members and would like to show that through this unconventional form of payout. The Churchbridge Credit Union remains a strong financial institution here to serve our membership and our community.

This change does not mean the end of our Member Profit Sharing Program. The Board of Directors and Management Team are merely choosing fiscal responsibility and pausing the program this year.

Payout will be a percentage based on the balance in your current equity account. Cheques will be mailed to our members by the end of May 2022.



Churchbridge Credit Union



The Churchbridge Credit Union is proud to support education in our communities. To promote this effort we present scholarships each year to students enrolling in post-secondary education. The scholarships are awarded based on academic merit, community involvement, and credit union membership.

In 2021, scholarships were awarded to the following recipients:

Churchbridge Public School \$500 - Todd Fraser

Langenburg Central School \$500 - Braden Kentel

Churchbridge Credit Union Post-Secondary Scholarship, \$1,000 - Lexi Morash

Grad 2021



The Churchbridge Credit Union believes companies such as ours have the ability and the responsibility to step forward to support the social, cultural, and economic enrichment of our communities. To maintain our commitment to our communities, Churchbridge Credit Union sets aside an annual pledge of up to 1.5% of pre-tax profit to non-profit organizations for substantial donations.

In 2020, Churchbridge Credit Union invested \$31,400 into our communities through local organizations. To date, we have invested \$264,500 through this program.

Churchbridge Daycare Cooperative	\$8,000
Langenburg Care Home – Activity Department	\$3,300
Churchbridge Arena Board	\$2,500
Churchbridge Public School Playground Committee	\$2,500
Churchbridge Lacrosse	\$2,200
Churchbridge Library	\$2,000
Langenburg New Horizons Club	\$1,900
Langenburg Swimming Pool Committee	\$1,500
Churchbridge & District Fitness Centre	\$1,400
Langenburg Daycare Cooperative	\$1,200
Churchbridge Minor Ball	\$1,000
Leaps and Bounds Dance Studio	\$1,000
Churchbridge Walking & Bike Path	\$1,000
Langenburg Pickleball	\$1,000
Langenburg Business Association	\$500
Langenburg Archery Club	\$400

Community Investment Program
2021



We invested **\$31,400** into our communities in 2021 through our COMMUNITY INVESTMENT PROGRAM



Churchbridge Lacrosse

\$2200



Langenburg Business Association

\$500



Churchbridge Arena Board

\$2500



Churchbridge & District Fitness Centre

\$1400



New Horizon's Centre

\$1900



Leaps & Bounds Dance Studio

\$1000



Langenburg Archery Club

\$400



Langenburg Swimming Pool

\$1500



Churchbridge Credit Union
Bringing Communities Together



Churchbridge Minor Sports

\$1000



Churchbridge Walking & Bike Path

\$1000



Langenburg Daycare

\$1200



Langenburg Health Care Complex
Activity Department

\$3300



Churchbridge Public School
Playground Committee

\$2500



Langenburg Pickleball

\$1000



Churchbridge Public Library

\$2000



Churchbridge Daycare

\$8000



WE DONATED \$5,400

to STARS Air Ambulance

In 2021, our board of directors passed a motion to donate \$5,400 to STARS Air Ambulance of Saskatchewan.

Through their Fund a Flight program, this gift will help make one patient's mission possible, giving someone access to emergency medical care in their moment of need.

Each year we allocate 2.5% of our pre-tax profits to our Community Investment Program. 1.5% is distributed annually to local non-profit organizations and the remaining 1% is set aside to fund larger projects such as this.



WE DONATED \$5,000

The HEALTH FOUNDATION OF EAST CENTRAL SASKATCHEWAN INC. to the Airwaves for Health Telethon
AIRWAVES FOR HEALTH 2021

INVESTING IN BREDENBURY

"Parents have struggled for years in Bredenbury and surrounding rural areas, having to commute opposite direction of their work to find a daycare space. Many families have moved to other communities because of lack of daycare facilities in town; we need to keep our young families in town and in surrounding rural areas."

Our Board of Directors granted **\$10,000** to assist in getting a daycare started. What a great opportunity for Bredenbury residents!



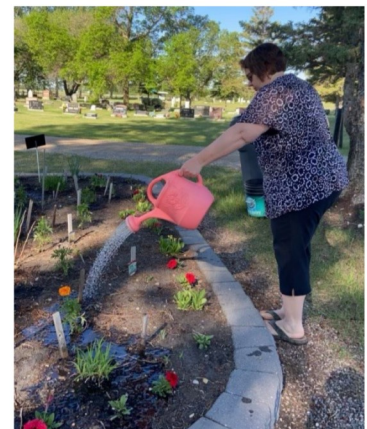
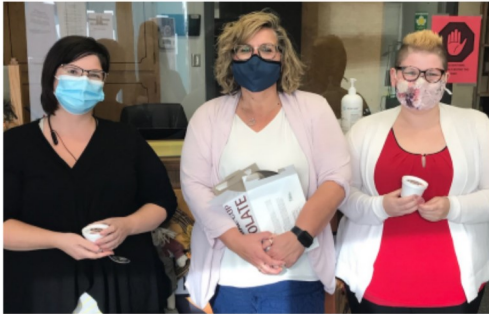
Community Investment Program
2021





Sponsorships & Community Events





Bringing Communities Together
Through Kindness





Bringing Communities Together
Through Kindness



**Our staff pay \$1
every Friday to
"dress down," and
donate to causes
near and dear to
them:**



Shelwin House
Close Cuts for Cancer
Ronald McDonald House
Jim Pattison
Children's Hospital



Langenburg Vet Clinic



Angels of Hope Animal Rescue



Langenburg Daycare



Langenburg Christmas Food Hampers



Langenburg Activity Centre

Staff Casual Day
Donations





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.

Saskatchewan Credit Union Assets (largest to smallest in assets) – December 31, 2021					
Rank	Credit Union	Head Office	Assets	Members & non-members	Locations
1	Affinity	Saskatoon	\$6,800,299,697	139,261	56
2	Conexus	Regina	\$6,703,801,922	167,850	30
3	Innovation	N. Battleford	\$3,012,261,048	61,422	25
4	Cornerstone	Yorkton	\$1,845,860,906	38,198	23
5	Synergy	Lloydminster	\$1,639,639,574	28,660	11
6	Prairie Centre	Rosetown	\$1,000,829,578	16,926	15
7	TCU Financial Group	Saskatoon	\$ 744,375,003	13,141	5
8	Weyburn	Weyburn	\$ 649,876,907	8,979	3
9	Diamond North	Nipawin	\$ 629,316,387	15,743	8
10	Radius	Ogema	\$ 481,398,073	5,125	7
11	Crossroads	Canora	\$ 327,574,653	6,835	4
12	Unity	Unity	\$ 327,398,814	4,500	1
13	Accent	Quill Lake	\$ 275,966,492	4,354	3
14	Biggar & District	Biggar	\$ 263,517,886	4,137	3
15	Cypress	Maple Creek	\$ 254,833,074	4,516	6
16	Churchbridge	Churchbridge	\$ 209,529,510	3,331	2
17	St. Gregor	St. Gregor	\$ 193,133,461	2,386	2
18	Raymore	Raymore	\$ 192,137,122	3,072	2
19	Foam Lake	Foam Lake	\$ 168,506,010	3,148	1
20	Luseland	Luseland	\$ 151,457,335	1,696	1
21	Leroy	Leroy	\$ 142,803,687	1,546	1
22	Dodsland	Dodsland	\$ 142,364,899	1,553	1
23	Stoughton	Stoughton	\$ 137,913,540	1,717	2
24	Prairie Pride	Alameda	\$ 130,679,637	2,814	3
25	New Community	Saskatoon	\$ 126,044,752	2,187	1
26	Bruno	Bruno	\$ 101,608,480	1,568	2
27	Turtleford	Turtleford	\$ 101,322,989	2,071	1
28	North Valley	Esterhazy	\$ 100,895,099	1,637	1
29	Lafleche	Lafleche	\$ 100,858,798	1,847	2
30	Bengough	Bengough	\$ 92,575,201	1,393	3
31	Sandhills	Leader	\$ 91,940,257	1,843	1
32	Saskatoon City Employees	Saskatoon	\$ 80,408,130	2,168	1
33	Kerrobert	Kerrobert	\$ 70,886,371	1,230	2
34	Edam	Edam	\$ 69,688,101	1,083	1
35	Rockglen-Killdeer	Rockglen	\$ 49,491,819	1,187	1
36	Earl Grey	Earl Grey	\$ 39,816,652	843	1



Report of the Independent Auditors on the Summary Financial Statements

To the Board of Directors
Churchbridge Credit Union

Opinion

The summary financial statements, which comprise the summary Statement of Financial Position as at December 31, 2021, the summary Statements of Income and Comprehensive Income, Changes in Equity and Cash Flow for the year then ended, and related notes, are derived from the audited financial statements of Churchbridge 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 auditors' report thereon, therefore, is not a substitute for reading the audited financial statements and the auditors' 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 March 31, 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.

Auditors' 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.

Baker Tilly SK LLP

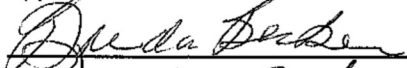

Baker Tilly SK LLP

Yorkton, SK
March 31, 2022

Churchbridge Credit Union
Churchbridge, Saskatchewan
Statement of Financial Position as at December 31, 2021

	2021	2020
Assets		
Cash and cash equivalents	3,592,659	2,306,130
Investments	45,595,711	45,785,124
Loans	158,502,347	144,209,353
Accounts receivable		11,689
Prepaid expenses	40,289	50,856
Income tax receivable	220,110	
Property, plant and equipment	1,488,338	1,546,225
Intangible assets	23,657	4,363
Deferred income tax assets	121,800	104,000
Total Assets	\$ 209,584,911	\$ 194,017,740
Liabilities		
Deposits	192,063,491	176,747,001
Accounts payable	645,432	1,042,263
Income tax payable		87,544
Member equity accounts	3,085,781	2,851,774
Membership shares	29,170	28,850
Total Liabilities	195,823,874	180,757,432
Equity		
Retained earnings	13,761,037	13,260,308
Accumulated other comprehensive income	13,761,037	13,260,308
Total Liabilities and Equity	\$ 209,584,911	\$ 194,017,740

Approved on behalf of the board:

 Director
 Director

Churchbridge Credit Union
Statement of Income and Comprehensive Income
For the year ended December 31, 2021

	2021	2020
Interest Income		
Loan interest	5,574,863	5,962,848
Investments	343,906	435,162
	<u>5,918,769</u>	<u>6,398,010</u>
Interest Expense		
Deposits	1,490,323	1,697,613
Borrowed money	1,215	1,311
Patronage allocation		445,000
	<u>1,491,538</u>	<u>2,143,924</u>
Net Interest	<u>4,427,231</u>	<u>4,254,086</u>
Provision for expected credit losses - loans	1,269,529	231,695
Provision for expected credit losses - foreclosed assets		20,000
	<u>1,269,529</u>	<u>251,695</u>
Net Interest Margin	3,157,702	4,002,391
Net income from other investments at FVTPL - designated	107,369	(13,435)
Net income from other investments at FVTPL - mandatory	46,921	144,346
Other income	<u>1,016,736</u>	<u>917,950</u>
Net Interest and Other Income	<u>4,328,728</u>	<u>5,051,252</u>
Operating Expenses		
Personnel	2,049,428	2,070,077
General business	1,189,328	1,167,622
Occupancy	204,140	207,839
Security	172,010	159,396
Organizational	46,467	89,512
	<u>3,661,373</u>	<u>3,694,446</u>
Net Income Before Provision for Tax	667,355	1,356,806
Income tax expense	<u>166,626</u>	<u>344,650</u>
Net Income	500,729	1,012,156
Other comprehensive income	<u>0</u>	<u>0</u>
Comprehensive Income	<u>\$ 500,729</u>	<u>\$ 1,012,156</u>

Churchbridge Credit Union
Statement of Changes in Equity
For the year ended December 31, 2021

	2021	2020
Retained Earnings		
Balance, beginning of year	13,260,308	12,248,152
Add: Net income for the year	<u>500,729</u>	<u>1,012,156</u>
Balance, end of year	<u>\$ 13,761,037</u>	<u>\$ 13,260,308</u>

Churchbridge Credit Union
Cash Flow Statement
For the year ended December 31, 2021

	2021	2020
Cash Provided By (Used In):		
Operations		
Net income for the year	<u>500,729</u>	<u>1,012,156</u>
Adjustment for:		
Provision for impaired loans	1,269,529	251,695
Net amounts recovered (written off)	(161,372)	(71,668)
Depreciation and amortisation	108,742	101,916
Deferred income tax provision	<u>(17,800)</u>	<u>(55,100)</u>
	<u>1,199,099</u>	<u>226,843</u>
Changes in working capital items:		
Other assets	22,256	(9,091)
Interest receivable - investments	1,637	359
Interest receivable - loans	(17,506)	(7,990)
Interest payable - deposits	(41,342)	110,773
Other liabilities	<u>(704,485)</u>	<u>(33,011)</u>
	<u>(739,440)</u>	<u>61,040</u>
	960,388	1,300,039
Loans	(15,383,650)	(7,159,513)
Deposits	<u>15,357,836</u>	<u>13,341,555</u>
	<u>934,574</u>	<u>7,482,081</u>
Investing activities		
Investments	187,774	(7,917,087)
Capital assets purchases	(43,816)	(48,907)
Intangible assets purchases	<u>(26,330)</u>	<u>(7,965,994)</u>
	<u>117,628</u>	<u>(7,965,994)</u>
Financing activities		
Share capital	<u>234,327</u>	<u>(19,568)</u>
Net Cash Increase (Decrease) for the Year	1,286,529	(503,481)
Cash position, beginning of year	<u>2,306,130</u>	<u>2,809,611</u>
Cash Position, End of Year	<u>\$ 3,592,659</u>	<u>\$ 2,306,130</u>

Churchbridge Credit Union
Notes to Financial Statements
For the year ended December 31, 2021

1. Basis of the Summary Financial Statements

The following criteria have been applied by management in the preparation of these summary financial statements:

- (a) The information in the summary financial statements is in agreement with the related information in the credit union's December 31, 2021 audited financial statements; and
- (b) The summary financial statements contain the information necessary to avoid distorting or obscuring matters disclosed in the audited financial statements, including the notes thereto.
- (c) The audited financial statements can be obtained by request at the main branch at 103 Vincent Avenue E., Churchbridge, Saskatchewan.
- (d) The detailed notes included in the audited financial statements are not included in the summary financial statements as these notes are available in the audited financial statements which can be obtained as described above.

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](#).