



**Lafleche  
Credit Union**

Lafleche Credit Union aims to be the financial service provider of choice within our market area. We are a dynamic, high growth, community oriented organization that offers a full range of leading-edge products and services through a variety of delivery channels, including 2 branches, an Automated Teller, Mobile banking and MemberDirect Internet home banking. Lafleche Credit Union boasts assets of \$79.4 million, a membership of 1,887 and 12 full and part-time staff serving our 2 full service branch locations.

**Vision Statement:** *“Working together to build a better community and provide exceptional financial service to members”*

**Mission Statement:** *“We are Sask’s 1<sup>st</sup> Rural Credit Union – leading, developing and supporting our communities through our members’ financial success”*

The Board, Management and Staff continuously strive to achieve this Vision and believe that employees are a key contributor to our success. We recruit progressive-minded people that will help us to move towards our Vision. Employees are recognized and rewarded for their commitment and contribution to our success.

**For further information, refer to  
the Lafleche Credit Union’s  
website at [www.laflechecu.com](http://www.laflechecu.com).**

# B en Filson



Lafleche Credit Union would like to recognize Ben Filson for his dedication to the credit union system.

Ben served two terms as a director of the Lafleche Credit Union, from 1997-2004 and 2013-2015. He also spent nine years, from 2004-2013, as president and graduated from the Credit Union Director Achievement (CUDA) program.

Alongside his work with the credit union, Ben also contributed to the community as a volunteer, serving as a Councillor for the RM of Wood River for 12 years, Director for the Woodrow Co-operative Association for 12 years, Director for the Saskatchewan Wheat Pool in Woodrow for 25 years and President of the Woodrow Recreation Board. He has served as a member of the Lafleche Hospital and Assiniboia & Gravelbourg Ambulance Boards.

Ben is also, simply put, just wonderful to be around. He showed off his great personality when he skipped the Lafleche Credit Union to a two time championship at the Annual CUMA Curling Bonspiel and was the life of the party at the celebration!

Ben and his wife Sandra have two daughters, Jennifer and Leah and one son Erin. They currently reside at Thomson Lake.



*Submitted in 2020 by Lafleche Credit Union*

## **LAFLECHE CREDIT UNION - SERVICES**

- **FULL SERVICE ATM AT MAIN BRANCH** (*Available 24 hours a day – everyday!*)
- **DEPOSITS FULLY GUARANTEED BY CREDIT UNION DEPOSIT GUARANTEE CORP.**
- **“MEMBERDIRECT”** INTERNET HOMEBANKING AVAILABLE AT **NO CHARGE** WHICH PROVIDES ACCESS TO E-STATEMENTS, CHEQUE IMAGES, ETC.
- **FREE E-TRANSFERS** PROVIDED WITH MEMBERDIRECT INTERNET HOME BANKING
- **“MOBILE WEB”** – AN OPTIMIZED VERSION OF MEMBERDIRECT FOR USE WITH A SMART PHONE (ie. Blackberry, iPhone, Android, etc.)
- **“MOBILE BANKING”** - ACCOUNT BALANCES, HISTORY, ETC USING A “SMART PHONE”
- **“MEMBERCARDS”**, WITH “CHIP”, ACCESS TO ATM'S & POINT OF SALE MERCHANTS
- COLLABRIA **“MASTERCARD CREDIT CARDS”**, WITH REWARDS PROGRAM
- COLLABRIA **“U.S. MASTERCARD CREDIT CARD”**
- FINANCIAL PLANNING SERVICES AVAILABLE (*By appointment with Financial Planner*)
- 1 –5 YEAR NON-REDEEMABLE TERM DEPOSITS, RRSP's, RRIF's & TFSA's
- DAILY TERM DEPOSITS (30 TO 364 DAYS)
- **AGRI-INVEST** ACCOUNTS
- CONSUMER, AG AND COMMERCIAL LOANS, LINES OF CREDIT & QUICK LOANS
- **GOVERNMENT GUARANTEED LOANS: CMHC, CALA, CSBSA**
- **CALIDON LEASING** (QUOTES AVAILABLE UPON REQUEST)
- **STUDENT LOAN** SERVICES AVAILABLE
- **1 – 5 YEAR FIXED RATE MORTGAGE** LOANS
- OPTIONAL CREDIT DISABILITY &/or LIFE INSURANCE ON LOANS
- OPTIONAL MEMBER TERM LIFE INSURANCE AVAILABLE (Ag & Commercial only)
- FREE NIGHT DEPOSITORY SERVICE
- U.S. CHEQUING ACCOUNTS
- SAFETY DEPOSIT BOXES (VARIOUS SIZES & PRICES)
- CANADIAN AND INTERNATIONAL **WIRES** (FEES APPLY)

# LAFLECHE CREDIT UNION LIMITED

LAFLECHE, SASKATCHEWAN

Incorporated: March 29, 1938

Credit Union Charter No.12

## EXECUTIVE

President.....Lynn Sutherland  
Vice-President.....Glenn Sproule  
Recording Secretary...Carmen Ellis  
Treasurer.....Tracy Johnson

## DIRECTORS

<u>NAME</u>	<u>OCCUPATION</u>	<u>ADDRESS</u>	<u>TERM EXPIRES</u>
Lynn Sutherland	Business Owner	Lafleche	2020
Glenn Sproule	Farming	Thomson Lake	2020
Marg Clark	Business Owner	Glentworth	2021
Larry Wall	Co-op Manager	Hazenmore	2021
Debbie Ash	Ranching	Glentworth	2022
Kathy DeWulf	Farming	Thomson Lake	2022
Dawn Mitchell	Ranching	Glentworth	2022

## STAFF

Tracy Johnson	General Manager
Carmen Ellis	Operations Manager
Lori McLean	Lending Supervisor
Jody Packet	Lending Officer II
Sandra Watteyne	Lending Officer I
Trudy Sewell (P/T)	Lending Administration
Christine Cronan	Member Service Rep
Jill Starke	Member Service Rep
Laura Greffard	Member Service Rep
Marcia Clermont (P/T)	Member Service Rep
Dallas Rusk (Casual)	Member Service Rep
Beth Tallon (Casual)	Member Service Rep

*2019 was another successful year for the Lafleche Credit Union, and we thank our members for their continued support. Many thanks also to the staff for your commitment to teamwork, and your continued excellence in providing service to members. You are the key to our continued success and viability.*

# **LAFLECHE CREDIT UNION LIMITED**

## **82<sup>nd</sup> ANNUAL MEETING**

**TUESDAY, SEPTEMBER 22<sup>nd</sup>, 2020**

**WOOD RIVER MEMORIAL HALL**

## **PROPOSED AGENDA**

- 1. REGISTRATION**
- 2. CALL TO ORDER**
- 3. ADOPTION OF AGENDA**
- 4. MINUTES OF THE PREVIOUS ANNUAL MEETING**
- 5. BUSINESS ARISING FROM MINUTES**
- 6. PRESIDENT'S MESSAGE**
- 7. MANAGEMENT DISCUSSION & ANALYSIS**
- 8. NOMINATIONS COMMITTEE REPORT**
- 9. AUDITORS REPORT & PRESENTATION OF FINANCIAL STATEMENTS**
- 10. ADOPTION OF REPORTS**
- 11. APPOINTMENT OF AUDITOR FOR 2020**
- 12. NEW BUSINESS**
  - PROPOSED BYLAW AMENDMENTS**
- 13. PRESENTATION OF SERVICE AWARDS**
- 14. ADJOURNMENT**

**81<sup>th</sup> ANNUAL MEETING OF THE LAFLECHE CREDIT UNION LIMITED**  
**WEDNESDAY, APRIL 17, 2019**

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The evening started at 6:00 p.m. with a beef supper, catered by the Wood River Community Hall, with 110 in attendance.

President Lynn Sutherland called the meeting to order at 6:55 p.m.

Mark Jalbert/Penny Anderson: Moved to adopt the agenda as presented. Carried

Ben Filson/Loretta Eastley: Moved that the minutes of the last annual meeting be adopted as presented. Carried

Lynn Sutherland presented the Board of Directors report.

Bruce Anderson summarized the Management discussion & analysis report.

Glenn Sproule presented the Nominations Committee report.

Rod Sieffert representing our audit firm, Meyers Norris Penny, presented the audited summary financial statements that are included in the annual meeting report. Rod also noted that complete sets of financial statements are available for any member to review.

Penny Filson/Marilyn Lamont.: Moved to approve the reports from the Board of Directors, Nominations Committee, General Manager & Auditor. Carried

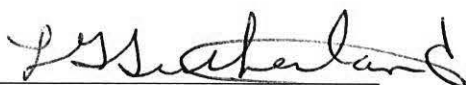
Dave Sproule/Dan Daniels: Moved that we appoint Meyers Norris Penny as our auditors for 2019. Carried

The following Service Awards were presented; DIRECTORS: Kathy DeWulf- 6 yrs, Debbie Ash - 23yrs. STAFF: Christine Cronan- 5 yrs,

President Lynn Sutherland presented Guy Monette with the Sask Credit Union Order of Merit Award for his dedication and invaluable contribution to the Credit Union system. Guy has served on the Lafleche CU Board for 23 years as director, with 2 years served as President.

3 Cash door prizes of \$50.00 each were drawn and handed out.

Debbie Sutherland adjourned the meeting at 7:25 p.m.



President



Secretary



# President's Message

Welcome to the Lafleche Credit Union 82nd Annual General Meeting.

As President of the Board of Directors, I am pleased to announce that once again we had a profitable year. Assets increased to another record high of \$80,000,000 and we had a good net income at the end of 2019. Management and the board would like to announce that we would like to share this success with our members. We will allocate \$235,000 to our members through patronage with an 8% rebate on both loan interest paid and deposit interest earned by members in 2019.

On behalf of the entire board, I would like to thank you, the members, for your continued support. I would also like to thank the management and staff for making 2019 another successful year for Lafleche Credit Union. Our credit union's success is very much due to the hard work of management and staff, and internal and external auditors reflect this in our most recent performance assessments.

2019 was a transition period for LCU: Bruce Anderson retired, and Tracy Johnson, previously our Loans Manager, was hired as our new General Manager. We also had a staff reorganization once we determined how best to position our Credit Union to continue to meet the needs of our members. The transition is now complete as Tracy confidently settles into her new role. We will continue to work with Tracy to ensure her success is our success.

Our **Vision**: Working together to build a better community and provide the best financial service – anywhere, anytime, anyway.

Our **Mission**: We are Saskatchewan's First Rural Credit Union – leading, developing, and supporting our communities through our members' financial success.

I would also like to thank the Board for the support they have given me as Chairman during my term; for the dedication and commitment, they gave to serving our members; and most importantly to their dedication towards discharging their duties. We will continually strive to provide the financial services that meet the needs of our members.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Lynn Sutherland', written in a cursive style.

Lynn Sutherland, President

# Management Discussion and Analysis – presented by Tracy Johnson, General Manager

## ***Management Discussion and Analysis:***

The following discussion and analysis on the financial position and operations of Lafleche Credit Union Limited, hereinafter referred to as LCU, at December 31, 2019, should be read in conjunction with the Consolidated Financial Statements and accompanying notes, and is presented to enable readers to assess material changes in the financial condition and operating results of the credit union.

## ***Our Vision, Mission and Values:***

**Vision:** *Working together to build a better community and provide exceptional financial service to members.*

**Mission Statement:** *We are Sask's 1<sup>st</sup> Rural Credit Union – leading, developing and supporting our communities through our members' financial success.*

**Values:** Service Excellence; Product Excellence and Creativity; Stability, Security and Long-term prosperity; Leadership and Community Involvement; Teamwork; Employee Satisfaction; Financial Performance, Productivity & Growth; Democratic Process; Marketing

## ***Credit Union Market Code:***

LCU voluntarily adheres to the Credit Union Market Code. This code has been 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 LCU.
- **Fair sales** by outlining the roles and relationship of staff to all member/clients and in accordance with the financial services agreement.
- **Financial planning process** to advise member/clients on the risks and benefits associated with financial planning services.
- **Privacy** to protect the interests of those who do business with LCU. 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 LCU 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 LCU.
- **Risk management** to ensure all risks are measured and managed in an acceptable fashion.



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

As a true co-operative financial institution, LCU 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 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 of 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 to 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.

## ***Introduction***

LCU is an independent regional Saskatchewan credit union owned by our members. Under current credit union legislation, LCU is able to provide financial services to members and non-members. At **Dec 31, 2019**, LCU had **1,887** members and did not have any non-members. Non-members would not participate in the democratic processes of the credit union, nor in any patronage distribution should it be declared in any particular year.

Our credit union serves the communities of Lafleche, Glentworth and the surrounding districts through our two (2) branch offices and various electronic delivery channels. We also provide financial services through some third party arrangements enabling the underwriting of credit through our alliance with Calidon Financial Services and investees such as Concentra Bank. Through these channels we are able to access lease contracts and different types of syndication arrangements. This allows LCU to further diversify our loan portfolio by type and geographic location. We also provide a referral **Wealth Management** Program through our alliance with Sunstone Retirement Specialists.

## ***Strategy***

The Vision of LCU is to be the financial service provider of choice within our service area. To monitor specific objectives throughout the year that support this vision, the board regularly monitors our five-year *Strategic Plan*.

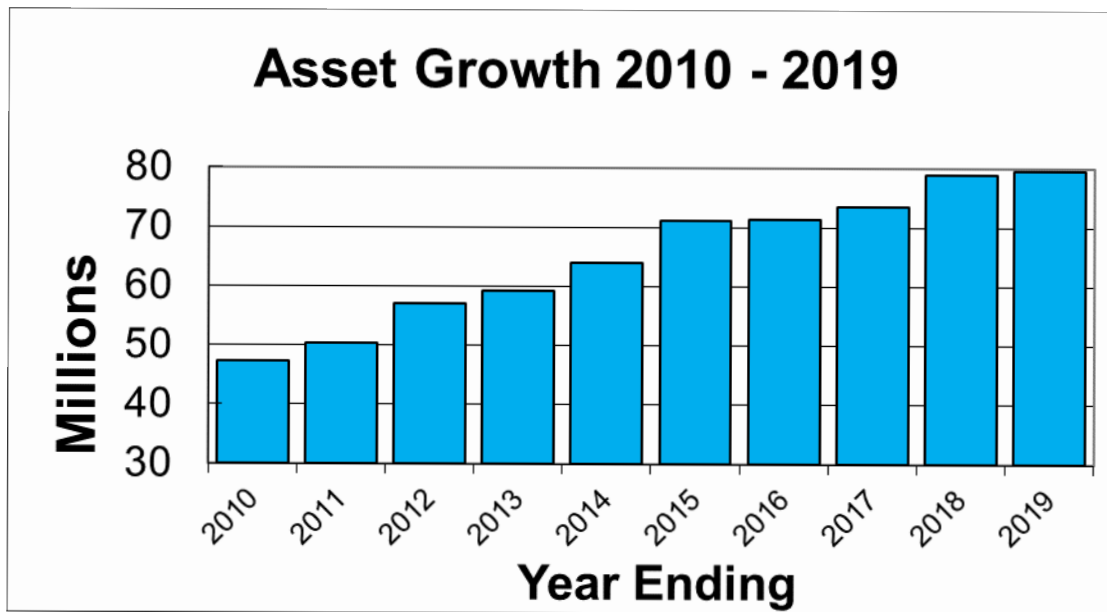
Our key strategic objectives in 2019 were: 1) successful replacement of the GM position along with ensuring a smooth transition takes place 2) training and education of staff and directors; 3) have the right mix of products and services to meet member needs and 4) continue with and build on alliances to enhance services provided to members.

Meeting the goal of our vision requires that LCU not only attract new members, but more importantly preserve our existing membership. To support our objective of increased member loyalty, staff training is completed as necessary, with special emphasis on product knowledge. Staff once again attended numerous educational webinars and some classroom training sessions throughout 2019.

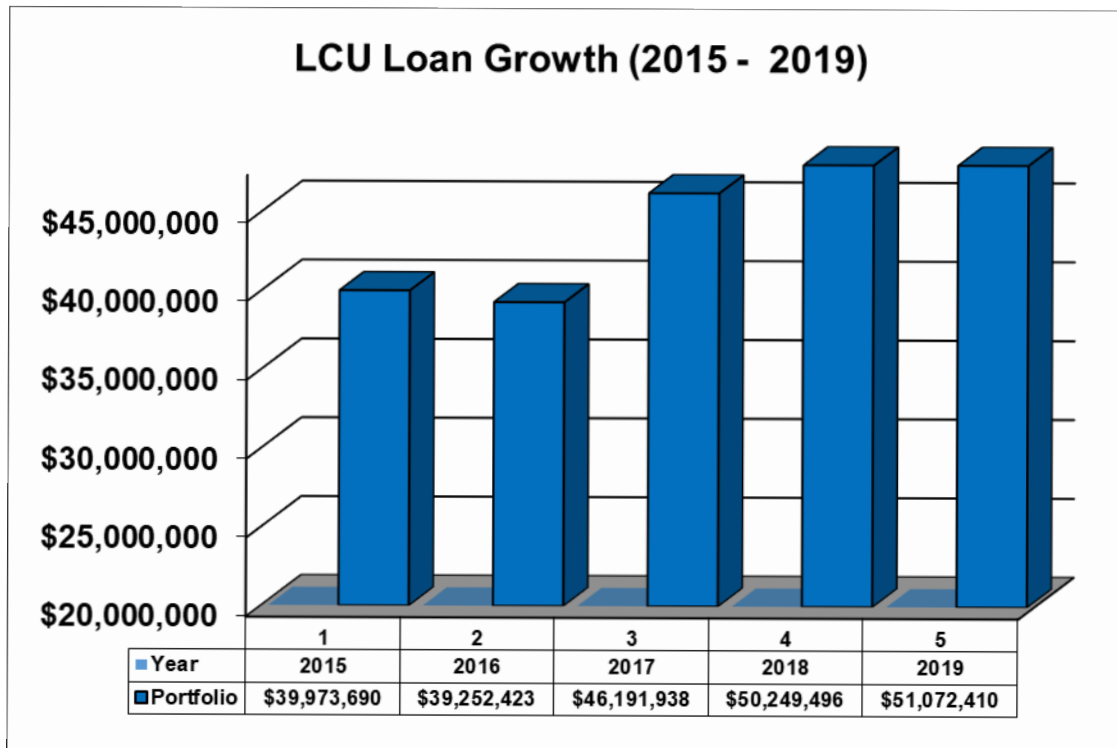
## ***Financial Performance***

LCU establishes annual financial performance objectives through a business plan that is reviewed and approved each year by the board of directors. Each month the board receives an accrued financial statement showing assets, liabilities, income and expenses, as well as a number of key ratios, percentages, and changes to the statement from last month and from last year to date. Each quarter the board also reviews a comparison of actual figures to budget from the business plan. This report is reviewed in detail to measure our success compared to the budget projections.

**Balance Sheet** – LCU had another successful year financially in 2019. Assets of Lafleche CU ended the year at **\$79.4** million. The graph on the following page illustrates our 10-year Asset growth, which has been **6.8%** per year on average, which has consistently exceeded our annual budget projections:



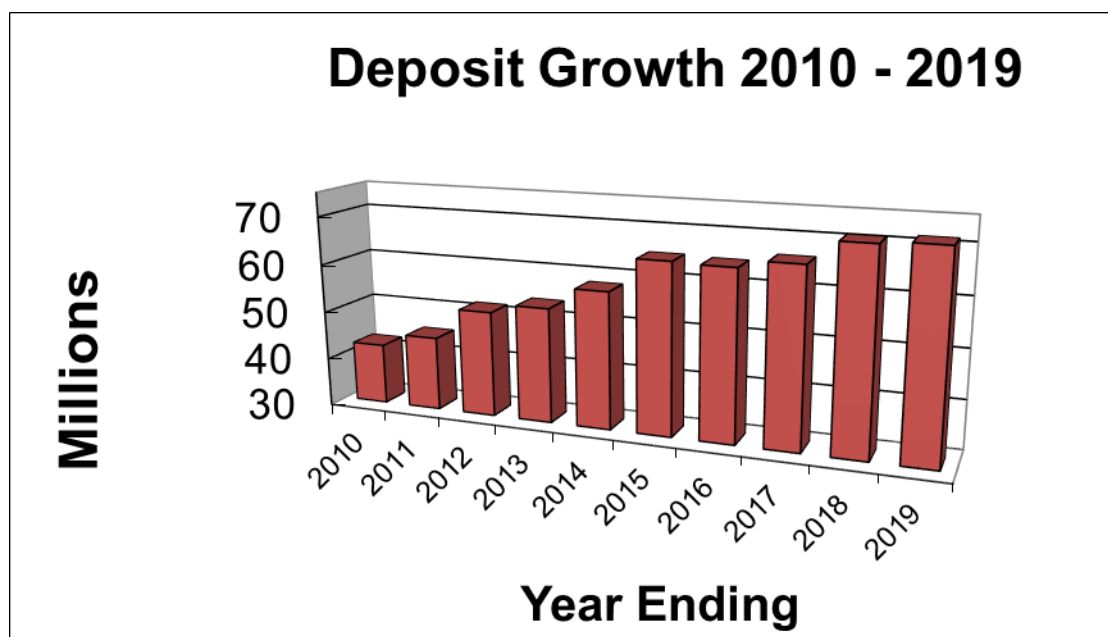
A key measurement of liquidity is the ratio of total loans to total assets. LCU monitors and manages this ratio to ensure a strong return to the organization while at the same time ensuring a position of sufficient liquidity. Accounting for **64%** of total assets, our loan portfolio ended the year at **\$51.1** million, which represented a **2.1%** increase. It is our goal to manage loan growth towards our loan portfolio target of 65-70% of total assets. In 2019, we disbursed loans totaling **\$6.6** million, which was an increase from the **\$6.0** million disbursed the previous year. We also funded **\$4.0** million in leases and **\$2.0** million in syndicated loans in 2019. Loan delinquency ended the year at **1.2%**, which remains under the target of 2% that has been set for the year. The loan loss provision expense for 2019 was **\$18,686**.



Member Deposits remained at the same from 2018 to 2019. Management continues to monitor and manage deposit growth to ensure that they meet or exceed the liquidity requirements. Over the last 10 years, as illustrated on the Deposit Growth graph below, our deposits have increased from **\$42.5** million to **\$71.3** million, which is growth of **68%**, or **6.8%** per year. This has been due to the excellent support of our membership!

Deposit growth creates Asset (Investment) growth, which in turn requires more capital to meet regulatory requirements. With more emphasis on increasing capital in recent years, and this degree of growth, our focus over the past few years has been on increasing our capital. The Board of Directors recognizes the need to reward our members' strong support by approving a Patronage Payment for 2019.

We would like to remind everyone that LCU deposits are **100% guaranteed** by the regulator of Saskatchewan credit unions, Credit Union Deposit Guarantee Corporation (CUDGC).



**Profitability** – The profitability of LCU is determined by our ability to manage net interest margin, non-interest revenues and non-interest expenses. Our pre-tax and pre-patronage income for 2019 was **\$652,487**, compared to **\$793,048** the previous year. Total interest income of **\$3.0** million was up slightly from 2018, due to the loan growth noted earlier and a one-time extra dividend payment from SaskCentral. Non-interest revenue includes insurance commissions, loan fees, account service fees and foreign exchange revenue. Non-interest revenue decreased slightly in 2019, and as a percent of Assets, it has remained consistent over the past few years. Non-interest expenses include personnel, administration, occupancy, organizational, and member security costs. Total non-interest expenses were **\$1.54** million as compared to **\$1.61** million in 2018. Non-interest expenses as a percentage of Assets were **1.95%**, which is down from the previous year of **2.04%**. This percentage continues to fall well below the Sask. credit union system average of **2.32%**.

**Capital Ratio** – One of the primary measures of financial strength in a financial institution is its capital position. Capital levels are managed in accordance with policies and plans that

are reviewed and approved by the Board of Directors. Credit Unions measure capital using 2 methods, the first of which is a simple comparison of Tier 1 (total) capital to total assets.

The 2<sup>nd</sup> ratio compares capital to our risk weighted assets. Our regulator, CUDGC, requires that all Sask credit unions hold a recommended minimum of 7%. Under the 2<sup>nd</sup> key ratio calculation CUDGC requires Sask credit unions to hold a recommended minimum of 10% of risk weighted (eligible) capital.

As of Dec 31, 2019 LCU's eligible capital was **14.63%** compared to Sask CU system average at **14.33%**. Total (Tier 1) Capital as a percentage of total assets was **13.28%** compared to the system average at **13.42%**. LCU's total Tier 1 capital is made up of retained earnings and member equity held as shares. While our capital levels have been stable, we must continue our efforts to increase capital due to the growth we have experienced in the past several years. Our regulators continue to monitor our capital levels going forward to ensure strength of our credit union.

For several years now we have been measuring our capital through a method known as Internal Capital Adequacy Assessment Process or **ICAAP** for short. This is part of CUDGC's regular supervisory review process and all Sask credit unions are required to have ICAAP in place to assess capital requirements. Our December 31, 2019 assessment indicates that we continue to exceed the required capital levels as set out by CUDGC.

Lafleche CU recognizes the need to sustain and build the credit union's capital position in order to continue to meet regulatory and sound business practices. Adequate capital enables the credit union to sustain its liquidity requirements, to safely fund development initiatives, and provide leverage to effectively manage performance standards.

In general, the purpose of the Capital Plan is to identify optimal capital ranges for LCU and the actions that Board and Management will employ to work towards those optimal ranges.

- Too little capital 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.
- Too much capital could be perceived that the credit union is not generating sufficient return on its capital.

LCU's capital plan is directly related to its service delivery strategies and risk philosophy. The credit union has traditionally held a moderate appetite for risk. It has focused on traditional financial services, and maintained a relatively low level of risk in its loan and investment portfolio. Liquidity has been maintained within a very comfortable range. This has proven to be an effective strategy through this extended period of low interest rates. Lafleche CU continues to grow its balance sheet and maintain profitability in this ever increasing competitive financial services market.

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

As a financial institution, Lafleche Credit Union must manage the risks it faces to achieve its business objectives. In doing so, it must balance the risk with the potential reward for optimum return. The fundamental strength of a credit union is the level of capital it holds to protect against normal, anticipated and unexpected business events. Our credit union has a strong level of capital, but have chosen to take a moderate approach to risk. Our main objective is to preserve and build capital while maintaining market share and growing wallet share by providing our members with competitive products and excellent service.

As our credit union continues to grow and experiences further product and service diversification, the risk profile of the organization will change. Capital adequacy measurements have evolved from the asset allocation of the balance sheet to the lines of business, operating, technology, reputation and other known risks. Allocation of capital is required to offset these various risks.

A second element of risk management is liquidity. The liquidity standards have changed significantly with the introduction in 2017 of a liquidity coverage ratio and stress testing. The objective of the new standards is to ensure that credit unions have an adequate stock of unencumbered high quality liquid assets that consist of cash or assets that can be converted to cash at little or no loss of value; and meet its liquidity cash needs for a 30 calendar day stress scenario. After 30 days it is assumed corrective actions have been taken. Credit Unions are expected to conduct stress tests to assess the level of liquidity they should hold. Our risk management process has evolved to the point where we:

- Identify risks to which the credit union is exposed
- Measure our exposure to identified risks
- Ensure that an effective risk monitoring program is in place
- Monitor risk exposure on an ongoing basis
- Control and mitigate risk exposures
- Report to the Board and Senior management on risk exposures

We do this through our risk management regime, which consists of the following:

- **ERM Review** – risks are identified and tracked
- **Risk Appetite Statement** – identifies the amount and type of risk the credit union is able and willing to accept in pursuit of its business objectives
- **ICAAP Report** – determines LCU's ability to absorb financial and economic stress
- **Capital Plan** – determines the capital levels that are considered appropriate given the current risk profile and risk appetite
- **Liquidity Plan** – establishes the credit union's ability fund its business activities
- **Strategic/Business Plan** – sets strategic direction and related operational plans
- **Budget** – projects the effect of any steps taken through the capital & liquidity plans

Our risk management framework manages risks in the following categories:

### **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, obsolete products or resource allocation will impact the 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. Lafleche Credit Union has formal planning processes which result in a strategic business plan focused on strategic objectives outlined in this report. The credit union has reporting processes in place to monitor performance relative to plans and provides regular updates to the Board. The ERM process further identifies emerging risks and formulates plans as risks are identified. In addition, directors attend training sessions, as well as system meetings and conferences, to hear other perspectives and learn from other credit union directors.



### **Credit/Concentration Risk**

Credit risk is the risk of financial loss arising from a borrower or counterparty's inability to meet its obligations, and the risk that the credit union is unable to meet loan growth targets. LCU is affected primarily by its direct lending activities. In addition to lending to members, LCU assumes risks related to loans purchased from other credit unions and affiliates, leases financed by Calidon Leasing, and to a lesser extent, by holdings within its investment portfolio. Some key individual credit risks are: default risk, portfolio concentration risk, inadequate allowance risk and policy exceptions risk. Our loan portfolio and lending practices undergo regular and ongoing independent assessment through external audits, internal audits and regulatory reviews by Deposit Guarantee Corp. Reports are provided to management and to the Board of Directors through the Audit & Risk Committee (ARCO). LCU had both internal and external audits performed during 2019, and there were no significant concerns or issues identified.

### **Liquidity Risk**

Liquidity is required to meet the day to day cash needs and members' loan requirements. This risk arises from general funding activities and through management of assets and liabilities. It is the risk of having insufficient cash resources, or equivalents, to meet members' demand for loans or drawdown of deposits. At Dec 31, 2019 Lafleche Credit Union held 10.06% of its member liabilities in a Statutory Liquidity Account with SaskCentral and LCU has never had to draw upon this facility to fund its liquidity requirements. Adjustments are made to this account four times a year in Feb, May, Aug and November to ensure that the amount held remains at or just above the 10% level. Due to the fact LCU's loan to asset ratio was 64% (target is 65-70%) at Dec 31<sup>st</sup>, the liquidity risk for our organization continues to be quite minimal.

### **Market Risk**

Market risk is the exposure to potential loss from changes in market prices and foreign exchange risk. Losses can occur when value of assets and liabilities or revenues are adversely affected by changes in market conditions, such as interest rate or foreign exchange movement.

LCU's market risk is impacted primarily by movements in interest rates, specifically from the timing differences that exist between re-pricing of loans, investments, and deposits. Our exposure to changes in interest rates is monitored by management in two ways. The first is through our contract for financial services with Innovation Credit Union who monitor and measure our exposure and provide reports to management, board and auditors. The second is by monitoring reports from Concentra Bank and other articles, periodicals, etc. regarding rate forecasts and market trends.

### **Legal and Regulatory Risk**

Regulatory risk is the risk arising from potential violation of, or nonconformance with, laws, rules, regulations, prescribed practices, or ethical standards. No matters came before the Audit & Risk Committee or MNP, our external auditors, which would indicate any such violations occurred in 2019. LCU operates in a highly regulated environment and undergoes numerous audits from entities such as MNP, SaskCentral Internal Audit, FINTRAC, and the Credit Union Deposit Guarantee Corporation. Due to this high degree of regulatory oversight, the risk in this area is greatly diminished.

## **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, and natural disasters.

## **Regulatory Matters**

### **Corporate Structure and Governance**

The governance of LCU is anchored in the co-operative principle of democratic member control. Our “*member representative*”, **Debbie Ash**, attends provincial meetings on our behalf and keeps the Board & management apprised of what is happening at SaskCentral.

### **Board of Directors**

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

The board is responsible for the strategic oversight, business direction and supervision of the General Manager. By 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.

#### ***Directors***

<b><u>Name</u></b>	<b><u>Term Expires</u></b>
Lynn Sutherland (President)	April 2020
Glenn Sproule (Vice-President)	April 2020
Marg Clark	April 2021
Larry Wall	April 2021
Debbie Ash (Member Representative)	April 2022
Dawn Mitchell	April 2022
Kathy DeWulf	April 2022

#### ***Board Composition:***

The board is composed of 7 individuals elected on an “at large” basis by members. Terms are usually for 3 years and tenure is limited to 15 years (5 terms). Nominations are made by filing out a nomination paper during the allotted time period prior to the annual meeting. Voting is by paper ballot, done in-branch, and election results are announced at LCU’s annual general meeting.

#### ***Committees:***

The responsibilities of the board serving a modern financial services organization involves an ever-growing list of duties. LCU maintains a number of 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 is comprised of the President, Vice-President, and one other director and they act as the official representatives of the Board. The Executive Committee is the most senior committee and can act on behalf of the board in between meetings where timely decisions are required.

- **Audit and Risk Committee (ARCO)**

This Committee oversees the enterprise risk management (ERM) and financial reporting process, reviews financial statements, liaises with internal and external auditors and regulators, and reviews internal control procedures. The committee consists of 3 directors. The board determines the skills and abilities needed on the committee and chooses its members accordingly.

- **Conduct Review Committee**

This committee ensures that LCU 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 from the perception of unfair benefit or conflict of interest. The committee is chosen at the annual reorganization meeting. It is comprised of 3 directors that are charged with reviewing the conduct of dealings that take place during the fiscal year with all directors, management and their family members.

- **Building Committee**

Purpose is to work with management in the development of policies and plans relevant to the credit union service facilities. The committee also oversees the maintenance and improvements of all properties, within approved budgetary constraints, that are owned by the credit union for its' own use. The committee is comprised of 3 directors appointed each year by the board at the reorganization meeting.

- **Nominating Committee**

This committee oversees the nomination and election processes for elections of credit union directors. The committee is comprised of the 2 or 3 directors elected in the prior year. Its primary purpose is to ensure that all those coming forward to run as a director of the credit union qualifies in all material respects before accepting the nomination papers. As well, the Nominating Committee has the role of seeking out members to run for vacant board positions who they feel would be an Asset to the Board of Directors. The Nominating Committee will always consult with management to ensure that the potential candidate operates their affairs in a satisfactory manner and that no conflict of interest is evident.

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

Board members are volunteers, but are compensated for attending regular and committee meetings throughout the year, and are paid mileage for traveling as required. The budgeted amount for board remuneration and travel in 2019 was \$26,243 and actual expenditures for the year were \$20,064. The Board holds monthly board meetings plus Strategic Planning sessions, Budget meeting and GM performance plan/review meetings each year. In addition, the directors also attend special board meetings, committee meetings, and the annual general meeting.

### ***Director Training:***

Board members are encouraged to take Credit Union Director Achievement (CUDA) training to improve their governance skills. A few Lafleche CU directors are graduates of the national CUDA director training program, while others are working towards their designation. The Board also participated in various other in-house training sessions for anti-money laundering, privacy, market code and code of conduct in 2019.

## ***Executive Management***

The management structure of LCU is as follows:

General Manager: Tracy Johnson, FCUIC  
Operations Manager: Carmen Ellis

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

Concern for Community is one of the co-operative principles, and Lafleche CU is a strong believer in corporate social responsibility. Each year we make every attempt to support our communities through our efforts in staff & board volunteerism, charitable giving, and financial support within the communities that we serve. We continue to encourage staff to volunteer in the community in leadership and various other capacities with local organizations.

I have once again included a page in the annual report that provides a partial listing of some of the many donations and sponsorships provided in 2019. We are also proud of the fact our employees volunteered **953** hours of community service to various boards, committees, and other volunteer and/or elected positions during the calendar year.

Lafleche Credit Union measures success in terms of personal relationships, not market share, asset size or annual earnings. The staff and board's commitment is to the members and we believe it is in our member's best interest to keep things small for now. At Lafleche Credit Union, we are proud of our 2 branches with 12 full time, part-time and casual employees.

Some say that Canada's credit union system is at a turning point. As a relatively small player in the national financial services sector, credit unions face challenges such as an ageing membership base, high costs, and increasing demands for investment in technology and digital innovation. These factors combined with the complex regulatory environment, make it increasingly difficult for credit unions to compete effectively against Canada's big banks. We, as an organization know that we must respond to the ever-changing landscape, however, we are torn between the demands to create efficiencies through mergers and consolidations, and the need to uphold the co-operative value of local autonomy that has made us successful.

As a small credit union, we rely on our partnerships with other credit unions to provide back office support, products, services and technologies to meet member needs. We work with Innovation Credit Union to assist with our monthly reporting and managing our investment portfolio. We also work with other provincial credit unions to allow us ways to improve our back office efficiencies and share information.

We will continue our best efforts to ensure that members receive the best quality financial services we can provide with the resources that we have available. With our members' continued strong support this should be possible for many more years to come.

## **NOMINATION COMMITTEE REPORT**

### **2020 Election Process:**

The purpose of the Nomination Committee is to oversee the annual nomination and election of directors for the Lafleche Credit Union. Policy states that the Nomination Committee shall consist of directors that are not candidates for re-election in the current year's election.

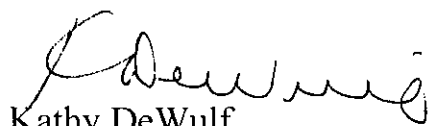
The Nomination Committee for **2020** was Debbie Ash, Dawn Mitchell and me. The Board of Directors appoints a returning officer each year that is responsible for advertising for nominations, collecting the nominations, and advertising and supervising the election process. Carmen Ellis was appointed as the returning officer. The LCU Managament team acts as a staff resource to the Nomination Committee.

It is the policy of Lafleche Credit Union to actively solicit qualified prospective candidates to seek election to the Board of Directors, and to provide director contact for any member who expresses an interest in running for the board, or to make inquiries about the election process.

The committee ensures that there are sufficient nominees to fill each vacancy on the Board. The Board consists of seven directors, with two or three directors' terms expiring each year, so that we are able to maintain some level of stability/experience on the Board.

During the 2020 nomination period Trent Packet and Garrett Verhelst filed papers with the returning officer prior to the deadline. These 2 candidates were elected by acclamation, as no other nomination papers were received during the allotted time period. Thank you to all our current directors for your commitment to Lafleche Credit Union.

Respectfully submitted,  
On behalf of the Nomination Committee



Kathy DeWulf,  
Chairperson

# IT PAYS TO BE A MEMBER!

## Lafleche Credit Union Member Profit Sharing Day 2020

**\$235,000 TO BE RETURNED  
To Lafleche Credit Union Members!**

**8% on loans (interest paid)  
8% on deposits (interest earned)**

**See the many benefits of being a  
Lafleche Credit Union Member:**

- Package accounts
- 24 Hour automated banking
- Internet banking with FREE e-transfers
- Unlimited guarantee of funds on deposit
- Consumer, Commercial and Agriculture Loans



**Lafleche 306-472-5215  
Glentworth 306-266-4821  
Toll Free 1-888-472-5215  
[www.laflechecu.com](http://www.laflechecu.com)**



# LAFLECHE CREDIT UNION

## SERVING OUR COMMUNITIES SINCE 1938



LCU Staff



Member Appreciation & Patronage Day



LCU Board of Directors



Donation to Lafleche Fire Department



Retirement - GM Bruce Anderson



Credit Union Day - Glentworth Branch

# 2019 Donations/Sponsorships

- Glentworth Curling Club
- Glentworth Giants Baseball
- Glentworth Come & Go
- Glentworth School Calendar
- Golf Prizes - Men's, Ladies & Par 3 at Thomson Lake
- Kincaid Ladies Night Out
- Kincaid School Calendar
- Lafleche Club 50
- Lafleche Legion
- Lafleche Lions Club
- Lafleche Community Center
- Lafleche Minor Hockey
- Lake Crest Golf Club - Men's Night Sponsor
- LCS Yearbook
- Mankota Curling Club
- Stock Grower's Assoc
- Waverley Players

## Donations/Sponsorships over \$200 in 2019

- TLRP - Driving Range Project - \$2,000
- School Grad Scholarships - \$ 700  
(Lafleche, Glentworth & Kincaid)
- Lafleche & District Music Festival - \$ 215
- Lafleche Curling Club - \$ 225
- Lafleche & Glentworth Fire Depts - \$ 706
- Thomson Lake Cottage Owners Association Canada Day Celebration - \$ 250
- Thomson Lake Signage - \$ 210
- Terry Fox Run - sponsored lunches - \$ 550
- School District Golf Sections Lunch - \$ 220
- Glentworth Minor Hockey - \$ 215
- St. Joseph's Hospital Gala - \$ 250
- Wood Mountain Rodeo - \$ 275
- LCS Hot Noon Meals - \$ 250

**Lafleche Credit Union**  
**Summary Financial Statements**  
*December 31, 2019*

## Report of the Independent Auditor on the Summary Financial Statements

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To the Members of Lafleche Credit Union Limited:

### Opinion

The summary financial statements, which comprise the summary statement of financial position as at December 31, 2019, and the summary statements of comprehensive income, changes in members' equity and cash flows for the year then ended, are derived from the audited financial statements of Lafleche Credit Union Limited (the "Credit Union") for the year ended December 31, 2019.

In our opinion, the accompanying summary financial statements are a fair summary of the audited financial statements, in accordance with 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 March 18, 2020.

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

Management is responsible for the preparation of the summary financial statements in accordance with 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 Standards (CAS) 810, Engagements to Report on Summary Financial Statements.

Regina, Saskatchewan

March 18, 2020

*MNP* **LLP**

Chartered Professional Accountants

**Lafleche Credit Union**  
**Summary Statement of Financial Position**  
*As at December 31, 2019*

	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
Cash and cash equivalents	<b>8,491,217</b>	9,399,852
Investments	<b>19,495,364</b>	18,608,357
Member loans receivable	<b>51,072,410</b>	50,249,496
Income taxes recoverable	<b>7,011</b>	-
Other assets	<b>210,951</b>	227,578
Property and equipment	<b>188,512</b>	209,871
	<b>79,465,465</b>	78,695,154
<b>Liabilities</b>		
Member deposits	<b>71,377,019</b>	71,113,300
Income taxes payable	-	24,337
Other liabilities	<b>713,590</b>	751,862
Membership shares and equity accounts	<b>697,524</b>	501,990
	<b>72,788,133</b>	72,391,489
<b>Members' Equity</b>		
Retained earnings	<b>6,677,332</b>	6,303,665
	<b>79,465,465</b>	78,695,154

Approved on behalf of the Board



Director



Director

A full set of audited financial statements is available from the Credit Union



**Lafleche Credit Union**  
**Summary Statement of Comprehensive Income**  
*For the year ended December 31, 2019*

	2019	2018
<b>Interest income</b>		
Member loans	2,464,389	2,389,677
Investments	573,215	575,052
	<b>3,037,604</b>	2,964,729
<b>Interest expense</b>		
Member deposits	1,051,739	789,292
Borrowed money	876	3,086
	<b>1,052,615</b>	792,378
<b>Gross financial margin</b>	<b>1,984,989</b>	2,172,351
<b>Other income</b>	<b>228,942</b>	234,086
	<b>2,213,931</b>	2,406,437
<b>Operating expenses</b>		
Personnel	754,180	831,198
Member security	69,237	64,861
Organizational	63,826	54,483
Occupancy	79,969	85,937
Administration	575,469	576,910
	<b>1,542,681</b>	1,613,389
<b>Income before provision for impaired loans, patronage refund and provision for (recovery of) income taxes</b>	<b>671,250</b>	793,048
<b>Provision for impaired loans</b>	<b>18,763</b>	-
<b>Patronage refund</b>	<b>235,000</b>	350,000
<b>Income before provision for (recovery of) income taxes</b>	<b>417,487</b>	443,048
Provision for (recovery of) income taxes		
Current	44,389	52,069
Deferred	(569)	(1,177)
	<b>43,820</b>	50,892
<b>Comprehensive income</b>	<b>373,667</b>	392,156

A full set of audited financial statements is available from the Credit Union



**Lafleche Credit Union**  
**Summary Statement of Changes in Members' Equity**  
*For the year ended December 31, 2019*

	<i>Retained earnings</i>	<i>Total equity</i>
<b>Balance December 31, 2017</b>	<b>5,911,509</b>	5,911,509
Comprehensive income	<b>392,156</b>	392,156
<b>Balance December 31, 2018</b>	<b>6,303,665</b>	6,303,665
Comprehensive income	<b>373,667</b>	373,667
<b>Balance December 31, 2019</b>	<b>6,677,332</b>	6,677,332

**Lafleche Credit Union**  
**Summary Statement of Cash Flows**  
*For the year ended December 31, 2019*

	2019	2018
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Interest received from member loans	2,393,921	2,307,633
Interest and dividends received from investments	558,140	553,228
Other income received	228,942	234,086
Payments to suppliers and employees	(1,633,916)	(1,906,316)
Interest paid on deposits	(908,406)	(666,174)
Interest paid on borrowed money	(876)	(3,086)
Income taxes (paid) recovered	(75,737)	10,537
	<b>562,068</b>	<b>529,908</b>
<b>Financing activities</b>		
Net change in member deposits	120,386	4,761,853
Net change in membership shares and equity accounts	78,034	14,536
	<b>198,420</b>	<b>4,776,389</b>
<b>Investing activities</b>		
Net change in member loans receivable	(771,209)	(3,975,515)
Purchases of property and equipment	(25,982)	(11,205)
Net change in investments	(871,932)	237,879
	<b>(1,669,123)</b>	<b>(3,748,841)</b>
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(908,635)</b>	<b>1,557,456</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>9,399,852</b>	<b>7,842,396</b>
<b>Cash and cash equivalents, end of year</b>	<b>8,491,217</b>	<b>9,399,852</b>

A full set of audited financial statements is available from the Credit Union

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

Management has prepared the summary financial statements from the December 31, 2019 audited financial statements, which are in conformity with International Financial Reporting Standards (IFRS). The audited financial statements can be obtained at the Lafleche Credit Union branches. The detailed notes included in the audited financial statements are not included in these summary financial statements.

The criteria developed by management for the preparation of the summary financial statements is as follows: that the information included in the summary financial statements is in agreement with the related information in the complete financial statements, and that the summary financial statements contain the information necessary to avoid distorting or obscuring matters disclosed in the related complete financial statements, including the notes thereto, in all material respects.



## CREDIT UNION DEPOSIT GUARANTEE CORPORATION ANNUAL REPORT MESSAGE 2019

**January 2020**

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### Deposits Fully Guaranteed

Credit Union Deposit Guarantee Corporation (the Corporation) is the deposit guarantor for Saskatchewan credit unions, and 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 regulatory and deposit protection 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).