



2020 ANNUAL Report



Lafleche

CREDIT  UNION

Community minded...just like you!



**Saskatchewan
Credit Unions**

saskcu.com

VISION

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

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

MISSION STATEMENT

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



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

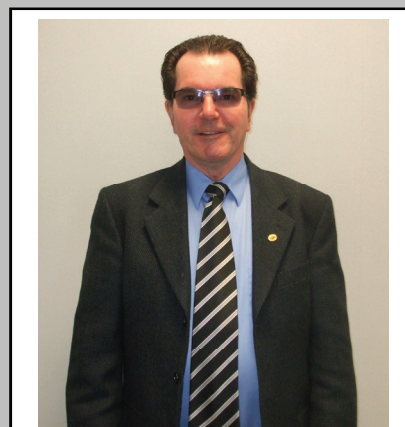
Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

Concern for Community

Co-operatives work for the sustainable development of their communities through policies approved by their members.



ynn Sutherland



Lafleche Credit Union would like to recognize Lynn Sutherland for his dedication to the credit union system.

Lynn first served on the Board of Directors for a three-year term from 1994 to 1997, and then joined the Board for a second three-year term as president from 2017 to 2020.

During his time as Director, Lynn sat on numerous sub committees, including ARCO and the Executive Committee. Lynn also took part in the Credit Union Director's Achievement Program - completing Level A and two classes of Level C, Governing Credit Risk and Role of Audit Committee.

In addition to his work with the Credit Union, Lynn has a strong commitment to community involvement, having served on many committees and Boards in Lafleche. These include the Royal Canadian Legion, where he has been a member for over 40 years, and President since 2008 (making him the longest-serving president of the Lafleche branch); the Lafleche Lions Club, where he has been a member for the past 30 years and held roles as Treasurer, Curling Chairman, and Music Chairman - organizing the Lions Carol Festival for over 20 years; The Lafleche Curling Rink, as a dedicated member for 40 years and Treasurer for approximately a decade, and the Lafleche Chamber of Commerce as an active member until it dissolved.

Prior to recently retiring, Lynn was a farmer and an accountant. He has his CPA designation and operated Sutherland Accounting for over 38 years. Through his work and community leadership, he has earned a reputation as a substantial pillar in the community of Lafleche.

Lynn and his wife Debbie live in Lafleche and have three adult children - Michael, Gina and Kyla, and six grandchildren.



Submitted in 2021 by Lafleche Credit Union



83nd ANNUAL MEETING

THURSDAY, APRIL 22nd, 2021

WOOD RIVER MEMORIAL HALL

PROPOSED AGENDA

- 1. REGISTRATION**
- 2. CALL TO ORDER**
- 3. CONFIRMATION OF QUORUM & NOTICE OF MEETING**
- 4. APPOINTMENT OF SECRETARY**
- 5. ADOPTION OF AGENDA**
- 6. MINUTES OF THE PREVIOUS ANNUAL MEETING**
- 7. BUSINESS ARISING FROM MINUTES**
- 8. PRESIDENT'S MESSAGE**
- 9. MANAGEMENT DISCUSSION & ANALYSIS**
- 10. NOMINATIONS COMMITTEE REPORT**
- 11. AUDITORS REPORT & PRESENTATION OF FINANCIAL STATEMENTS**
- 12. ADOPTION OF REPORTS**
- 13. APPOINTMENT OF AUDITOR FOR 2021**
- 14. PRESENTATION OF SERVICE AWARDS**
- 15. ADJOURNMENT**

82th ANNUAL MEETING OF THE LAFLECHE CREDIT UNION LIMITED
TUESDAY, SEPTEMBER 22, 2020

The meeting was held at the Wood River Community Hall, with 15 in attendance.

President Debbie Ash called the meeting to order at 7:10 p.m.

Lori McLean/Jill Starke: Moved to adopt the agenda as presented. Carried

Bruce Anderson/Evelyn Harding: Moved that the minutes of the last annual meeting be adopted as presented. Carried

Debbie Ash presented the Board of Directors report.

Tracy Johnson summarized the Management discussion & analysis report.

Dawn Mitchell 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.

Christine Cronan./Ben Filson.: Moved to approve the reports from the Board of Directors, Nominations Committee, General Manager & Auditor. Carried

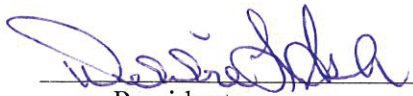
Dawn Mitchell/Bruce Anderson: Moved that we appoint Meyers Norris Penny as our auditors for 2020. Carried

Bruce Anderson/Larry Wall: Moved to adopt the proposed Bylaw amendments as presented. Carried

The following Service Awards were presented; DIRECTORS: Glenn Sproule- 14 yrs, Lynn Sutherland – 6 yrs. Larry Wall – 3 yrs. STAFF: Jody Packet – 20 yrs, Sandra Watteyne – 15 yrs & Laura Greffard – 5 yrs,

General Manager Tracy Johnson presented Ben Filson with the Sask Credit Union Order of Merit Award for his dedication and invaluable contribution to the Credit Union system. Ben has served on the Lafleche CU Board for 18 years as director, with 9 years served as President.

Dawn Mitchell adjourned the meeting at 7:35 p.m.


President


Secretary



President's Message

As President of the Board of Directors, I welcome you to Lafleche Credit Union's 83rd Annual General Meeting.

The year 2020 will definitely go down in the books as a challenging one with the COVID 19 pandemic, causing many issues that were unprecedented for us to deal with, as well as other issues that have been common in the last few years but now fueled more with the uneasiness that the pandemic has brought.

- Cancellation and Restrictions of Credit Union Celebrations
 - * Annual Meeting
 - * Member Appreciation Lunch
 - * Credit Union Day
- Declining Interest Rates
- Negative Lending Growth due to syndication payouts

Despite these challenges, we did manage to find successes. First of all, a very big "Thank You" to the staff, board and membership for complying with provincial regulations set during this pandemic and staying safe.

The biggest lesson learned from the declared pandemic is how important it is to support local. Thank you to our members and communities for your continued support and loyalty. Without you, our successes and achievements would not be possible.

Thank you to management and staff for making 2020 a successful year for Lafleche Credit Union. It is the ability to evolve and change in an unpredictable economy that has shone true during these difficult times. Great work Team!

We reached a record high in Assets at 91.4M and record high deposits of 83.2M.

I would also like to thank the Board for the support you have given me as Chairperson over the past year. Especially for your dedication and commitment you have shown fulfilling your duties as directors.

LCU works hard to be your first choice of financial service providers. We look forward to another successful year of building our relationships with you, our membership, our friends and our neighbors in the communities we serve.

Respectfully submitted,

Debbie Ash, President



LAFLECHE CREDIT UNION LIMITED

LAFLECHE, SASKATCHEWAN

Incorporated: March 29, 1938

Credit Union Charter No.12

EXECUTIVE

President.....Debbie Ash
Vice-President.....Larry Wall
Recording Secretary...Carmen Ellis
Treasurer.....Tracy Johnson

DIRECTORS

<u>NAME</u>	<u>OCCUPATION</u>	<u>ADDRESS</u>	<u>TERM EXPIRES</u>
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
Garrett Verhelst	Agronomist	Lafleche	2023
Trent Packet	Business Owner	Lafleche	2023





MANAGEMENT & STAFF

		Years of CU Service
Tracy Johnson	General Manager	23
Carmen Ellis	Operations Manager	39
Lori McLean	Lending Supervisor	10
Jody Packet	Lending Officer II	21
Sandra Watteyne	Lending Officer I	16
Trudy Sewell (P/T)	Lending Administration	3
Christine Cronan	Member Service Rep	7
Jill Starke	Member Service Rep	5
Laura Greffard	Member Service Rep	6
Marcia Clermont (P/T)	Member Service Rep	9
Beth Tallon (Casual)	Member Service Rep	-





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

The following discussion and analysis on the financial position and operations of Lafleche Credit Union Limited, hereinafter referred to as LCU, at December 31, 2020, 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.

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, 2020**, LCU had **1,846** 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.

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.

The key roles of the board include formulation of strategic business plans and setting goals; evaluating the performance of the GM; approving corporate vision, mission and values; monitoring corporate performance against strategic business plans; ensuring compliance with laws and regulations; keeping members informed regarding plans; and any other important matters.

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 of a 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 the President, Vice-President and one other Director.

- **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 in charge of reviewing the conduct of dealings that take place during the fiscal year with all directors, management and their family members. The CRC meets at minimum semi-annually to review these transactions.

- **Building Committee**

This committee works 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 consult with management to ensure that the potential candidate operates their affairs in a satisfactory manner and that no conflict of interest is evident.

**Governance Practices:**

Promoting a successful, healthy credit union is accomplished through processes of good governance. Corporate governance involves a set of relationships between a credit union's board, management, members and other stakeholders and being effective is essential in achieving and maintaining the trust and confidence between all parties.

LCU's governance practices are assessed periodically by internal and external auditors and the credit union system regulator (CUDGC). All 2020 reviews confirm that our board is using effective governance practices that comply with emerging regulatory guidelines.

Compensation and Attendance:

LCU holds monthly board meetings plus strategic planning sessions, budget meeting and GM performance plan/review each year. In addition, the directors also attend special board meetings, committee meetings, and the annual general meeting. The directors 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 2020 was \$19,151 and actual expenditures for the year were **\$15,223**.

In 2020 there were 10 regular board meetings and 10 committee meetings held. 15 of these meetings were 100% attended and the other 5 had an average attendance of 95%.

Director Training:

Board members are encouraged to take Credit Union Director Achievement (CUDA) training to improve their governance skills. Our board president Debbie Ash is a graduate of the national CUDA director training program, while the others are working towards their designation. The Board also participated in various in-house training sessions for anti-money laundering, privacy, market code and code of conduct in 2020.

Debbie Ash is our Member Representative to SaskCentral.

Management & Staff

It is through our employees that we are able to build an organization that offers strong financial products and services with competency, courtesy and concern for you, our members. It is the staff's commitment that is key to our continued success and viability.

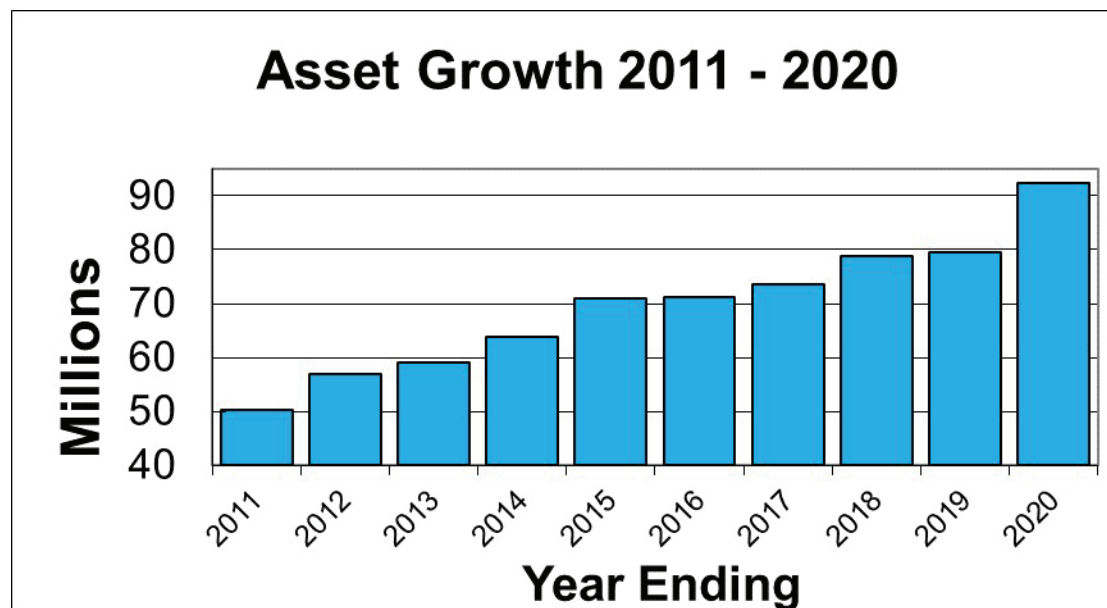
In order to continue to seek ways to make service delivery more seamless for members and offer the services in the methods the members want, staff training is essential and ongoing. Staff attended numerous educational webinars and virtual meetings. There were some classroom sessions at the beginning of 2020 (prior to COVID-19).



Financial Performance

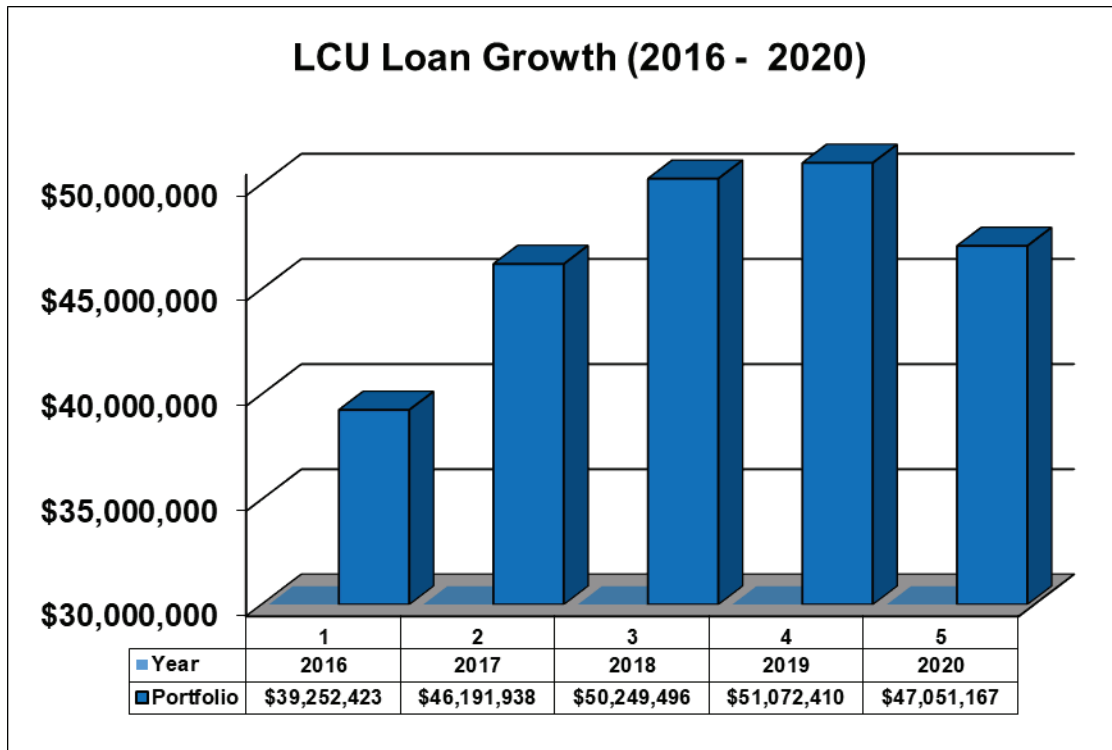
LCU establishes annual financial performance objectives through a business plan that is reviewed and approved each year by the board of directors. Each month the board receives an accrued financial statement showing assets, liabilities, income and expenses, as well as a number of key ratios, percentages, 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 – 2020 brought forward an unexpected growth rate of **15%**. Assets of Lafleche CU ended the year at **\$91.4** million. The graph below illustrates our 10-year Asset growth, with an average growth rate of **6.8%** (prior to 2020) and our growth 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 **51%** of total assets, our loan portfolio ended the year at **\$47** million, which represented a **7%** decrease from 2019. This decrease was due to the substantial increase in our assets along with unexpected payouts of our syndicated loan portfolio. Our loan to asset ratio ended the year below our targeted range of 65 - 70%.

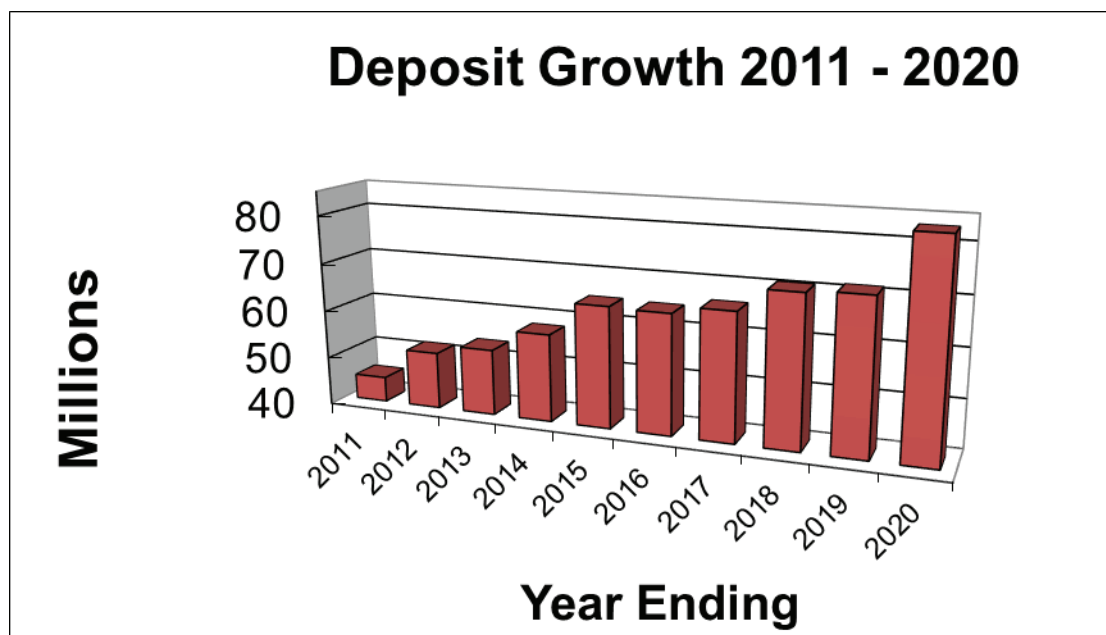
In 2020, we disbursed loans totaling **\$5** million and funded **\$4.7** million in leases. We had **\$9.2** million in syndicated loans at the end of 2020 compared to **\$16** million at the end of 2019.



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 2020 was **\$0** with no losses to report.

Member Deposit growth also surpassed our expectations. Our budget of 2% growth turned into an actual of **16%** from 2019 to 2020. Over the last 10 years, as illustrated on the Deposit Growth graph below, our deposits have increased from **\$45.2** million to **\$83.3** million. This has been due to the excellent support of our membership! And because of this drastic growth, our ability to meet the liquidity requirements is very strong.

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 income for 2020 was **\$651,070**, compared to **\$671,250** the previous year. Total interest income of **\$2.8** million was down from 2019, due to the decrease in interest rates shortly after the pandemic was declared. Non-interest revenue includes insurance commissions, loan fees, account service fees and foreign exchange revenue. Non-interest revenue decreased slightly in 2020. Non-interest expenses include personnel, administration, occupancy, organizational, and member security costs. Total non-interest expenses were **\$1.43** million as compared to **\$1.54** million in 2019. Non-interest expenses as a percentage of Assets were **1%**, which is down from the previous year of **1.95%**. This percentage continues to fall well below the Sask. credit union system average of **2.13%**.

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 2nd 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 simple calculation. Under the 2nd key ratio calculation CUDGC requires Sask credit unions to hold a recommended minimum of 10.50% of risk weighted (eligible) capital.

As of Dec 31, 2020 LCU's eligible capital was **15.73%** compared to Sask CU system average at **14.88%**. Total (Tier 1) Capital as a percentage of total assets was **14.31%** compared to the system average at **13.90%**. 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, 2020 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 2020, 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, 2020 Lafleche Credit Union held 10% 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 51% (target is 65-70%) at Dec 31st, 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 & 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 2020. 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



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.

Privacy Code

Credit Unions in Canada have a long history of respecting the privacy of their members. As a co-operative financial institution, we are committed to developing policies, procedures and service offering that address privacy concern. We continue to protect your privacy and your right to control the collection, use and disclosure of your personal information. We have procedures in place that guide our employees and directors in maintain confidentiality.

We are committed to keeping your personal information accurate, confidential, secure and private. Your credit union board of directors has adopted the Credit Union Code for the Protection of Personal Information. Our employees understand the importance of this Privacy Code based on ten interrelated principals of accountability, identifying purposes, consent, limiting collection, limiting use, disclosure, retention, accuracy, safeguards, openness, individual access and compliance and follow them carefully.



Corporate Social Responsibility (CSR)

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.

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 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 support this should be possible for many more years to come.

As part of our mandate of working together to build better communities the credit union continues to maintain a local presence and contribute to various organizations and be actively involved in community projects and events.

Local Presence:

The declared pandemic in March took a toll on community projects and events. The staff had to come up with creative ways to continue to support our communities so that we were in compliance of the restrictions implemented in order to keep everyone safe.

- ✓ Staff volunteered **481** hours of community service to various boards, committees, and other volunteer and/or elected positions.
- ✓ Employ **11** local people between our two branches and have contributed over **\$500,000** in payroll to our local communities.

Donations & Contributions:

- ✓ Grad Bursaries for the Graduates of 2020
- ✓ The following is a list of the clubs, organizations and events that have benefited over the past year:



2020 Donations/Sponsorships

- Kincaid Community Calendar
- Glentworth Community Calendar
- Fir Mountain Sign Restoration Project
- Thomson Lake Signage
- Lafleche Community Center Signage
- Waverley Sports Gardens - Rink Signage
- Lafleche Curling Club
- Glentworth Curling Club
- Lafleche & District Music Festival
- McCord Rec Center
- Lafleche Royal Canadian Legion
- Glentworth Royal Canadian Legion
- Saskatchewan Stockgrowers Association
- CAT Country Radio - Cash Cow Sponsorship
- St. Joseph's Hospital Gala
- Wood Mountain Rodeo

In lieu of our annual Member Appreciation Lunch, cash donations of \$300 were given to our local libraries.

Lafleche



Glentworth





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.
- **INTERNATIONAL TRANSFERS & 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” & “U.S. MASTERCARD CREDIT CARD”** WITH REWARDS PROGRAM
- **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, CEBA**
- **CALIDON LEASING** (QUOTES AVAILABLE UPON REQUEST)
- **1 – 5 YEAR FIXED RATE LOANS; STUDENT 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)



NOMINATION COMMITTEE REPORT

2021 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 **2021** was Trent Packet and myself. 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 General Manager 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 director's terms expiring each year when possible, so that we are able to maintain some level of stability/experience on the Board.

During the 2021 nomination period Brenda Keenan and Larry Wall filed papers with the returning officer prior to the deadline. These candidate 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

Garrett Verhelst,
Chairperson

Lafleche Credit Union
Summary Financial Statements
December 31, 2020

Report of the Independent Auditor on the Summary Financial Statements

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, 2020, 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, 2020.

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 10, 2021.

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 10, 2021

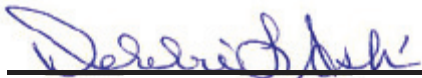
MNP LLP

Chartered Professional Accountants

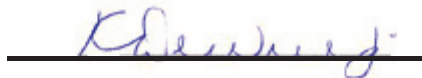
Lafleche Credit Union
Summary Statement of Financial Position
As at December 31, 2020

	2020	2019
Assets		
Cash and cash equivalents	12,979,681	8,491,217
Investments	30,984,036	19,495,364
Member loans receivable	47,051,167	51,072,410
Income taxes recoverable	-	7,011
Other assets	315,985	210,951
Property and equipment	155,869	188,512
	91,486,738	79,465,465
Liabilities		
Member deposits	83,281,400	71,377,019
Income taxes payable	35,858	-
Other liabilities	305,890	713,590
Membership shares and equity accounts	618,451	697,524
	84,241,599	72,788,133
Members' equity		
Retained earnings	7,245,139	6,677,332
	91,486,738	79,465,465

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, 2020

	2020	2019
Interest income		
Member loans	2,294,514	2,464,389
Investments	488,522	573,215
	2,783,036	3,037,604
Interest expense		
Member deposits	911,265	1,051,739
Borrowed money	2,010	876
	913,275	1,052,615
Gross financial margin	1,869,761	1,984,989
Other income	213,065	228,942
	2,082,826	2,213,931
Operating expenses		
Personnel	716,826	754,180
Member security	69,794	69,237
Organizational	26,350	63,826
Occupancy	81,785	79,969
Administration	537,001	575,469
	1,431,756	1,542,681
Income before provision for impaired loans, patronage refund and provision for (recovery of) income taxes	651,070	671,250
Provision for impaired loans	-	18,763
Patronage refund	-	235,000
Income before provision for (recovery of) income taxes	651,070	417,487
Provision for (recovery of) income taxes		
Current	83,258	44,389
Deferred	3	(569)
	83,261	43,820
Comprehensive income	567,809	373,667

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, 2020

	<i>Retained earnings</i>	<i>Total equity</i>
Balance December 31, 2018	6,303,665	6,303,665
Comprehensive income	373,667	373,667
Balance December 31, 2019	6,677,332	6,677,332
Comprehensive income	567,807	567,807
Balance December 31, 2020	7,245,139	7,245,139

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

Lafleche Credit Union

Summary Statement of Cash Flows

For the year ended December 31, 2020

	2020	2019
Cash provided by (used for) the following activities		
Operating activities		
Interest received from member loans	2,227,240	2,393,921
Interest and dividends received from investments	516,186	558,140
Other income received	211,724	228,942
Payments to suppliers and employees	(1,896,809)	(1,633,916)
Interest paid on deposits	(978,118)	(908,406)
Interest paid on borrowed money	(2,010)	(876)
Income taxes paid	(40,395)	(75,737)
	37,818	562,068
Financing activities		
Net change in member deposits	11,971,233	120,386
Net change in membership shares and surplus shares	(79,073)	78,034
	11,892,160	198,420
Investing activities		
Net change in member loans receivable	4,089,865	(771,209)
Purchases of property and equipment	(15,042)	(25,982)
Net change in investments	(11,516,337)	(871,932)
	(7,441,514)	(1,669,123)
Increase (decrease) in cash and cash equivalents	4,488,464	(908,635)
Cash and cash equivalents, beginning of year	8,491,217	9,399,852
Cash and cash equivalents, end of year	12,979,681	8,491,217

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

1. Basis of the summary financial statements:

Management has prepared the summary financial statements from the December 31, 2020 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 2020

January 2021

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.