



2021

ANNUAL REPORT



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

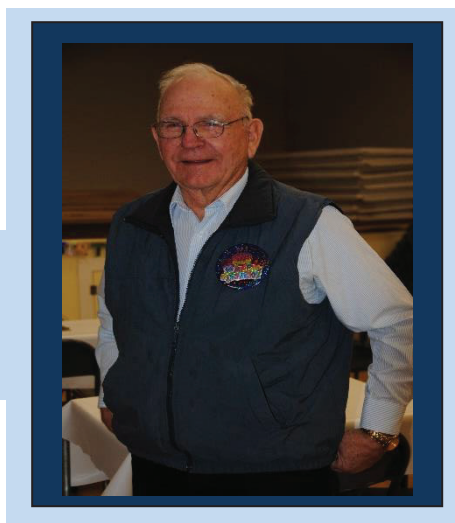
Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

Concern for Community

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



Clem Boisvert



Lafleche Credit Union would like to recognize Clem Boisvert for his dedication to the credit union system.

Clem served on the Board of Directors for 22 years (1993 – 2015).



Glenn Sproule



Lafleche Credit Union would like to recognize Glenn Sproule for his dedication to the credit union system.

Glenn served on the Board of Directors for 13 years (2007 - 2020). Vice President (2016 – 2019).

During their time as Directors, both Clem and Glenn sat on numerous board sub-committees and took part in the Credit Union Director's Achievement Program.

They were also both active participants in the Credit Union Golf and Curling events which created many memories and new friendships.

Congratulations Clem & Glenn



84th ANNUAL MEETING

THURSDAY, APRIL 21, 2022

LAFLECHE CLUB 50

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 2022**
- 14. PRESENTATION OF SERVICE AWARDS**
- 15. ADJOURNMENT**

83th ANNUAL MEETING OF THE LAFLECHE CREDIT UNION LIMITED
THURSDAY, APRIL 22, 2021

The meeting was held at the Wood River Community Hall.

President Debbie Ash called the meeting to order at 7:00 p.m.

Tracy Johnson presented confirmation of Quorum with 17 members and 1 guests in attendance. She also gave proof of notice of meeting more than 20 days in advance with the meeting being advertised in branches, LCU website, Facebook and the Gravelbourg Tribune.

President Debbie Ash appointed Carmen Ellis as Secretary of the meeting.

Garrett Verhelst/Marcia Clermont: Moved to adopt the agenda as presented. Carried.

Bren Keenan/Trent Packet: 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.

Garrett Verhelst presented the Nominations Committee report.

Tracy Johnson, presented the audited summary financial statements that are included in the annual meeting report due to Rod Sieffert from Meyers Norris Penny being unable to attend due to COVID restrictions. Tracy also noted that complete sets of financial statements are available for any member to review.

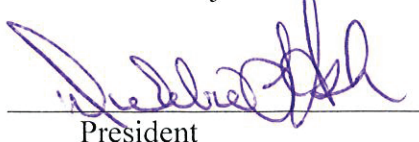
Marge Clark/Kathy DeWulf.: Moved to approve the reports from the Board of Directors, Nominations Committee, General Manager & Auditor. Carried.

Evelyn Harding/Larry Wall: Moved that we appoint Meyers Norris Penny as our auditors for 2021. Carried.

The following Service Awards were presented; **DIRECTORS:** Dawn Mitchell- 6 yrs, Marge Clark – 6 yrs. **STAFF:** Lori McLean – 10 yrs, Jill Starke– 5 yrs,

General Manager Tracy Johnson presented the Late Lynn Sutherland Family with the Sask Credit Union Order of Merit Award for his dedication and invaluable contribution to the Credit Union system. Lynn had served on the Lafleche CU Board for a total of 9 years as director, with 3 years served as President.

Bren Keenan adjourned the meeting at 7:25 p.m.



President



Secretary



President's Message

On behalf of the Board of Directors and myself, I welcome you to the Lafleche Credit Union's 84th Annual General Meeting.

2021 was another successful year for our Credit Union despite the second year of the COVID pandemic. Once again, some of our celebrations were cancelled or restricted such as:

- Member Appreciation Lunch
- Credit Union Day
- Number restrictions of attendees at our 2020 AGM.

Hopefully we can get back on track with these events this year. We really have so much to celebrate!

Like many Credit Unions in the province, we saw lower loan demand and increased deposit growth. Interest rates have lowered our margins and made for some interesting times. Profits were decent especially considering our loans to asset ratio. Expenses were very well managed and were below the average Credit Union systems in the province. Through all this we continued to do well and were able to once again share with our members through a patronage payment.

It is always a changing landscape in the credit union world. With new regulations and technology, our team stays on top of it all, thanks to the leadership of our GM and staff. The staff are always making sure the membership is informed through our website and newsletters of any new changes or cyber threats that may affect you, and are always ready to answer any questions you may have. Member service is what Credit Unions are all about and that is shown in the continued success of our organization. We are proud of our staff for their dedication, support, positivity and volunteer hours. I don't believe you could find one staff member that is not community spirited which is what the world needs now more than ever.

I would like to thank the Board of Directors for your dedication and commitment in fulfilling your roles as directors. We have a very strong board whom engage in our monthly meetings and work at keeping up with training to meet the challenges of increased self-governance and regulatory demands.

Most of all, we have to thank you - **OUR MEMBERS** for your continued support. It is truly the support and involvement of you that we are able to remain a strong and viable piece of our communities. We realize that in order to continue to serve our members into the future, the traditional model is challenged. We continue to change with the times, embrace technology and focus on providing value to our trusted members. We want to continue to educate members on how to be financially literate, be safe using technology and make the right decisions to enhance your well-being. The pandemic has shown us we can do this.

Respectfully,

Debbie Ash, President



Incorporated: March 29, 1938
Credit Union Charter No. 12

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

2021 BOARD OF DIRECTORS

<u>NAME</u>	<u>OCCUPATION</u>	<u>ADDRESS</u>	<u>TERM EXPIRY</u>
Debbie Ash	Bus Driver	Glentworth	2022
Kathy DeWulf	Farmer	Thomson Lake	2022
Dawn Mitchell	Rancher	Glentworth	2022
Garrett Verhelst	Agronomist	Thomson Lake	2023
Trent Packet	Business Owner	Lafleche	2023
Bren Keenan	Business Owner	Lafleche	2024
Larry Wall	Co-op Manager	Hazenmore	2024



Debbie Ash



Larry Wall



Kathy DeWulf



Trent Packet



Bren Keenan



Dawn Mitchell



Garrett Verhelst



MANAGEMENT & STAFF

**Years of
CU Service**

Tracy Johnson	General Manager	24
Carmen Ellis	Operations Manager	40
Lori McLean	Lending Supervisor	11
Jody Packet	Lending Officer II	22
Sandra Watteyne	Lending Officer I	17
Trudy Sewell (P/T)	Lending Administration	3.5
Christine Cronan	Member Service Rep	8
Jill Starke	Member Service Rep	6
Laura Greffard	Member Service Rep	7
Marcia Clermont (P/T)	Member Service Rep	9.5
Beth Tallon (Casual)	Member Service Rep	-





Management Discussion and Analysis

Introduction

LCU is an independent 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, 2021**, LCU had **1,838** 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 has branches in **Lafleche** and **Glentworth** and service all of the surrounding communities. We provide financial services through some third party arrangements with Calidon Financial Leasing Services, Concentra Bank (Wyth) and our 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 12 years (4 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 2021 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 2021 was \$15,250 and actual expenditures for the year were **\$16,936**.

In 2021 there were 10 regular board meetings and 10 committee meetings held. 12 of these meetings were 100% attended and the other 8 had an average attendance of 85%.

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 2021.

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.

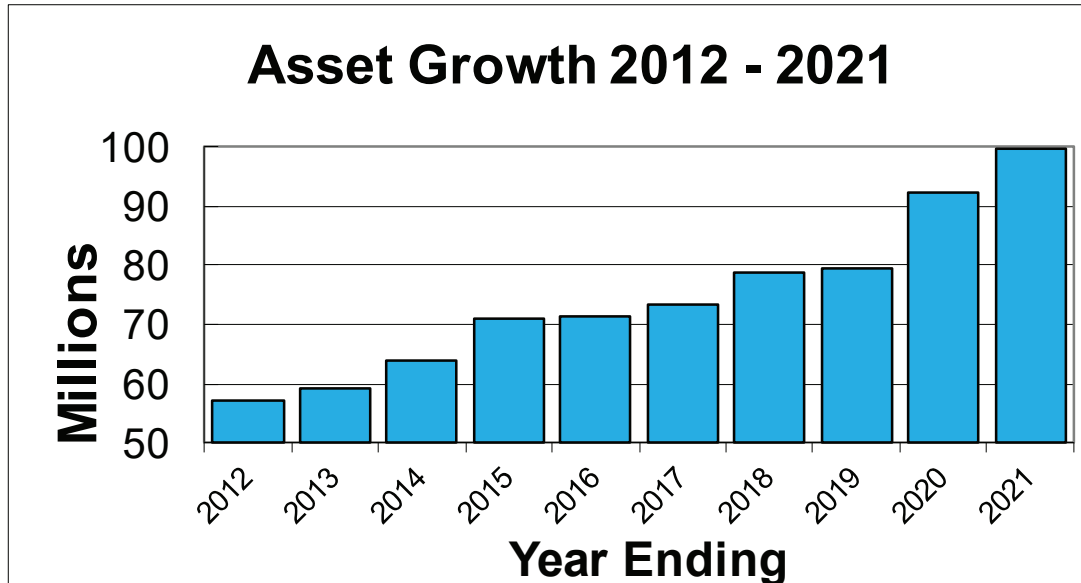
In order to continue to seek ways to make service delivery more seamless for members and offer the services in the methods the members like, staff training is essential and ongoing. Staff attended numerous educational webinars and virtual meetings throughout the year.

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.

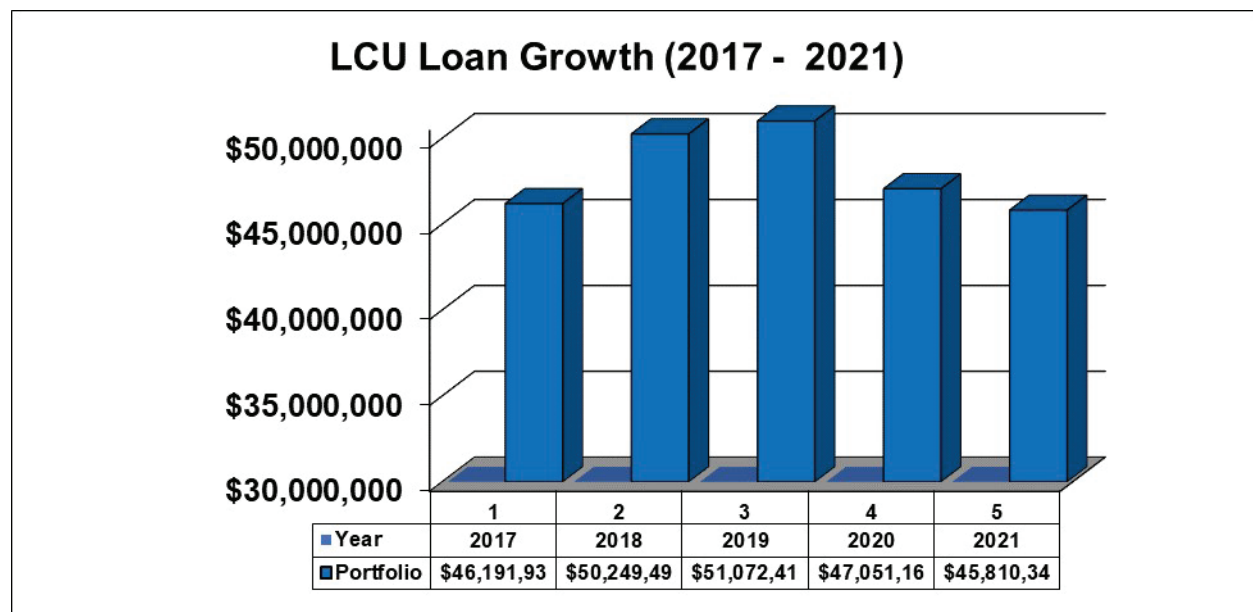


Balance Sheet – 2021 brought forward another unexpected growth rate of **9%**. Assets of Lafleche CU ended the year at **\$99.7** million. The graph below illustrates our 10-year Asset growth, with an average growth rate of **6.41%**. Our growth has consistently exceeded our annual budget projections:



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 **45%** of total assets, our loan portfolio ended the year at **\$45.8** million which represents a **2%** decrease from last year. 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 50 - 65%.

In 2021, we disbursed loans totaling **\$5.8** million and funded **\$4.3** million in leases. We had **\$4.3** million in syndicated loans at the end of 2021 compared to **\$9.2** million at the end of 2020.

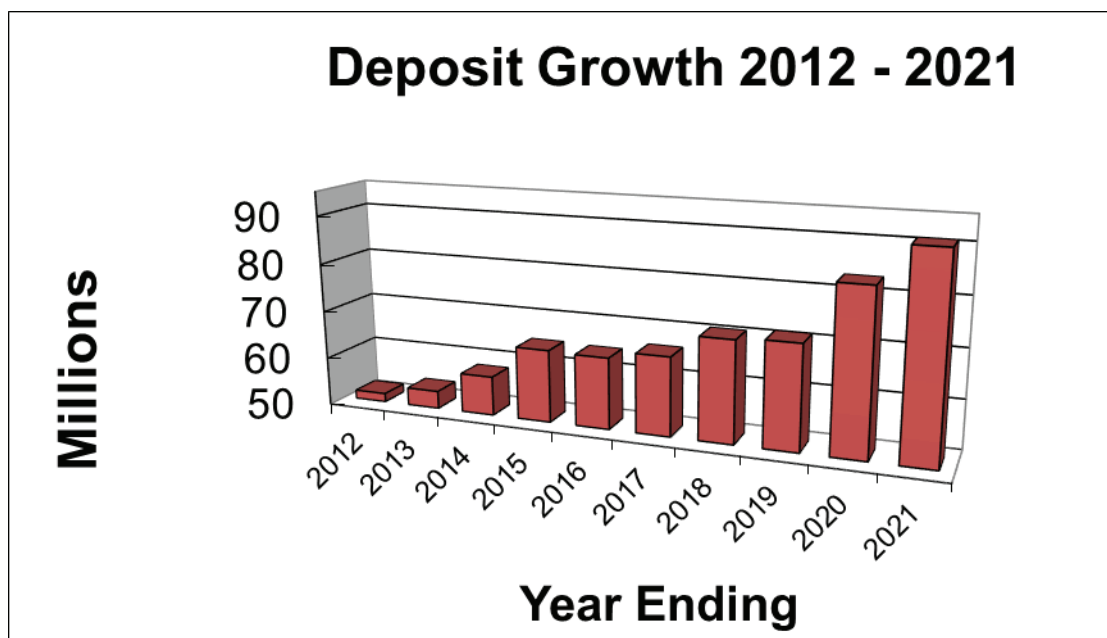




Loan delinquency ended the year at **0%**, which remains under the target of 2% that has been set for the year. The loan loss provision expense for 2021 was **\$0** with no losses to report along with no foreclosed property.

Member Deposit growth also surpassed our expectations once again this year. Our budget of 4% growth turned into an actual of **9.35%** from 2020 to 2021. Over the last 10 years, as illustrated on the Deposit Growth graph below, our deposits have increased from **\$51.7** million to **\$90.9** million. This has been due to the excellent support of our membership and to reward this support, the board of directors has approved a patronage payment for 2021 (details can be found on page 21). This drastic growth also strengthens our ability to meet liquidity requirements.

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 2021 was **\$674,483**, compared to **\$651,070** the previous year. Total interest income of **\$2.5** million was down from 2020, due to the decreased interest rates. Non-interest revenue increased in 2021 which includes insurance commissions, loan fees, account service fees, foreign exchange revenue and government grants. Non-interest expenses include personnel, administration, occupancy, organizational, and member security costs. Total non-interest expenses were **\$1.48** million as compared to **\$1.43** million in 2020. Non-interest expenses as a percentage of Assets were **1.54%**, which remained roughly the same as the previous year. This percentage continues to be well below the Sask. credit union system average of **2.11%**.



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, 2021 LCU's eligible capital was **16.11%** compared to Sask CU system average at **15.16%**. Total (Tier 1) Capital as a percentage of total assets was **14.77%** compared to the system average at **14.25%**. 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 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, 2021 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 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.

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 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:

Liquidity Risk

Liquidity risk is the risk of having insufficient cash resources, or equivalents, to meet members' demand for loans or drawdown of deposits. This risk arises from general funding activities and through management of assets and liabilities.

One of LCU's primary objectives as a financial institution is to prudently manage liquidity to ensure we can generate or obtain sufficient cash or cash equivalents in a timely manner, at a reasonable price, to meet commitments as they become due, even under stressed conditions. LCU's liquidity management framework, targets and strategies are established and documented in a Liquidity Plan as well as our financial plan which is approved by the board on an annual basis. These calculations and ratios are reviewed quarterly with the board to make sure that we are meeting the objectives set out in the liquidity plan.

LCU has established policy, procedures and processes with respect to liquidity and the management of funding requirements. Our primary source of funding, being our deposit portfolio which was at **\$90.9M** at yearend.

In addition to deposits, LCU has a **\$1M** line of credit at SK Central to help manage clearing, settlement and unforeseen funding requirements. At December 31, 2021, this credit facility was not in use.

The credit union's liquidity is measured by an operating liquidity ratio, which considers projected cash inflows as a percentage of projected outflows.



Another important measure of liquidity risk is the Liquidity Coverage Ratio (LCR). The objective of the LCR is to ensure that a credit union has an adequate stock of unencumbered high quality assets (HQLA) that:

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

LCU has completed an assessment of the Liquidity Coverage Ratio on December 31, 2021 and our ratio was 635%. This ratio continues to exceed the regulatory minimum standard of 100%.

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 internal, external and CUDG audits performed during 2021, and there were no significant concerns or issues identified.

Residential Mortgage Portfolio

In accordance with regulatory guidelines, LCU is required to provide additional credit disclosures regarding our residential mortgage portfolio.

LCU is limited to providing residential mortgages of no more than 80% of the collateral value, also known as loan-to-value (LTV). Lending at a higher LTV is permitted but requires default insurance. The insurance is contractual coverage that protects the credit union against potential losses caused by borrower default. Default insurance can be provided by either government backed entities or other approved private mortgage insurers. Currently LCU uses Canada Mortgage and Housing Corporation (CMHC) to provide mortgage default insurance.



A Home Equity Line of Credit (HELOC) is a form of non-amortizing (revolving) credit that is secured by a residential property. Unlike a traditional residential mortgage, most HELOCs are not structured to fit a predetermined amortization, although regular, minimum periodic payments are required. LCU is limited to providing HELOCs of no more than 65% of the collateral value.

To determine the potential impact of an economic downturn, which may result in an increase in defaults and decrease in housing prices, LCU performs stress tests. The stress testing uses historical delinquency and write-off information over the past 5 years. Our results show that in an economic downturn, LCU's capital position would be sufficient to absorb residential mortgage and HELOC losses.

Residential Mortgage Portfolio

	2021	%	2020	%	Change	%
Insured	\$1,268,714.00	2.8%	\$1,390,565.00	3.0%	(\$121,851.00)	-0.2%
Uninsured	\$7,779,600.00	17.1%	\$6,484,771.00	14.0%	\$1,294,829.00	3.1%
HELOC	\$0.00	0.0%	\$0.00	0.0%	\$0.00	0.0%
Total Loans	\$9,050,335.00	19.9%	\$7,877,356.00	17.0%	\$1,172,979.00	2.9%

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 2021. 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 has once again took a toll on community projects and events in 2021. 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 **525** 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:

The following page is a list of the clubs, organizations and events that have benefited over the past year.



2021 Donations/Sponsorships

- Terry Fox Run - Lafleche & Glentworth Schools
- Bursaries for the Graduates of 2021
- Lafleche Royal Canadian Legion
- Glentworth Royal Canadian Legion
- Thomson Lake Signage & Par 3 Tournament
- Lafleche Community Center Signage
- Waverley Sports Gardens - Rink Signage
- Lafleche Curling Club
- Glentworth Curling Club
- CAT Country Radio
- Glentworth Giants Sr. Ball
- Wood Mountain Rodeo
- St. Joseph's Hospital Gala
- Wood River Roper's Jackpot
- Lafleche & District Music Festival
- Saskatchewan Stockgrowers Association

The LCU staff donated their casual day proceeds to the Lafleche and Glentworth Schools for their yearend parties.

Lafleche



Glentworth





IT PAYS TO BE A MEMBER!

The Board of Directors are proud to announce
\$270,000 being paid back to our membership through
Member Profit Sharing.



Payout as Follows:

**10% dividend paid on 2021 deposit interest earned
and loan interest paid.**

****Details Coming Soon****

Board and Staff Recognition



Bren Keenan
New Board Member



Dawn Mitchell
6 Year board service award



Marg Clark
Retirement



Lori – 10 year staff service award
Jill – 5 year staff service award



Christine making
goodie baskets for
essential businesses



Food Bank
Donation



Jill planting flowers at
Health Center



SERVICES

- **FULL SERVICE ATM AT MAIN BRANCH** (*Available 24 hours a day – everyday!*)
- **FREE NIGHT DEPOSITORY SERVICE**
- **SAFETY DEPOSIT BOXES** (VARIOUS SIZES & PRICES)
- **DEPOSITS FULLY GUARANTEED BY CREDIT UNION DEPOSIT GUARANTEE CORP.**
- **AGRI-INVEST & TFSA ACCOUNTS**
- **U.S. CHEQUING ACCOUNTS**
- **1 – 5 YEAR NON-REDEEMABLE TERM DEPOSITS, RRSP's, RRIF's & TFSA's**
- **DAILY TERM DEPOSITS (30 TO 364 DAYS)**
- **CANADIAN AND INTERNATIONAL WIRES** (FEES APPLY)
- **“MEMBERDIRECT”** INTERNET HOMEBANKING AVAILABLE AT **NO CHARGE** WHICH PROVIDES ACCESS TO E-STATEMENTS, CHEQUE IMAGES, ETC.
- **“MOBILE WEB”** – AN OPTIMIZED VERSION OF MEMBERDIRECT FOR USE WITH A SMART PHONE (ie. iPhone, Android, etc.)
- **INTERNATIONAL TRANSFERS & FREE E-TRANSFERS** PROVIDED WITH MEMBERDIRECT INTERNET HOME BANKING
- **“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*)
- **CONSUMER (INCLUDING STUDENT LOANS), AG, 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**
- **OPTIONAL INSURANCE ON LOANS**

SASKATCHEWAN CREDIT UNIONS

Quick Facts

(as of December 31, 2021 unless otherwise indicated)

- Today there are 35 credit unions in Saskatchewan serving 205 communities through 232 service outlets.
- Credit unions offer financial products and services to more than 490,000 members.
- Saskatchewan credit union assets reached over \$27.4 billion with revenue of over \$1.03 billion.
- Credit union lending amounts were over \$20 billion
- There are 332 board members who are locally elected by members of each credit union to provide strategic direction to their management teams.

- As independent financial institutions owned and controlled by their members, credit unions are shaped by community needs. Saskatchewan credit unions range in asset size from \$39.8 million to more than \$6.8 billion.
- In 2021, Saskatchewan credit unions returned over \$7.7 million to their members in the form of patronage equity contribution and dividends.
- Credit unions are a major contributor to Saskatchewan's economy, employing over 3,300 people.
- Funds held on deposit in Saskatchewan credit unions are fully guaranteed through the Credit Union Deposit Guarantee Corporation.

**Lafleche Credit Union – 1st Saskatchewan Rural Credit
Union serving our communities from 1938 - 2021
84 Years Strong!**

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 Larry Wall 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 Debbie Ash, Dawn Mitchell and Aline Dumont filed papers with the returning officer prior to the deadline. These 3 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



Bren Keenan,
Chairperson

Lafleche Credit Union Limited
Summary Financial Statements
December 31, 2021

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, 2021, and the summary statements of comprehensive income, changes in 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, 2021.

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 16, 2022.

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 16, 2022

MNP LLP

Chartered Professional Accountants

Lafleche Credit Union Limited

Summary Statement of Financial Position

As at December 31, 2021

	2021	2020
Assets		
Cash and cash equivalents	11,198,559	12,979,681
Investments	42,392,508	30,984,036
Member loans receivable	45,810,341	47,051,167
Income taxes recoverable	49,799	-
Other assets	53,230	315,985
Property and equipment	205,845	155,869
	99,710,282	91,486,738
Liabilities		
Member deposits	90,932,990	83,281,400
Income taxes payable	-	35,858
Other liabilities	575,072	305,890
Membership shares and equity accounts	588,499	618,451
	92,096,561	84,241,599
Members' equity		
Retained earnings	7,613,721	7,245,139
	99,710,282	91,486,738

Approved on behalf of the Board

Director

Director

Lafleche Credit Union Limited
Summary Statement of Comprehensive Income
For the year ended December 31, 2021

	2021	2020
Interest income		
Member loans	2,077,043	2,294,514
Investments	417,364	488,522
	2,494,407	2,783,036
Interest expense		
Member deposits	614,378	911,265
Borrowed money	573	2,010
	614,951	913,275
Gross financial margin	1,879,456	1,869,761
Other income	276,896	213,065
	2,156,352	2,082,826
Operating expenses		
Personnel	737,903	716,826
Member security	81,488	69,794
Organizational	26,511	26,350
Occupancy	83,181	81,785
Administration	552,786	537,001
	1,481,869	1,431,756
Income before provision for patronage refund and provision for income taxes	674,483	651,070
Patronage refund	270,000	-
Income before provision for income taxes	404,483	651,070
Provision for income taxes		
Current	33,601	83,258
Deferred	2,300	3
	35,901	83,261
Comprehensive income	368,582	567,809

Lafleche Credit Union Limited

Summary Statement of Changes in Equity

For the year ended December 31, 2021

	<i>Retained earnings</i>	<i>Total equity</i>
Balance December 31, 2019	6,677,330	6,677,330
Comprehensive income	567,809	567,809
Balance December 31, 2020	7,245,139	7,245,139
Comprehensive income	368,582	368,582
Balance December 31, 2021	7,613,721	7,613,721

Lafleche Credit Union Limited

Summary Statement of Cash Flows

For the year ended December 31, 2021

	2021	2020
Cash provided by (used for) the following activities		
Operating activities		
Interest received from member loans	2,196,846	2,122,205
Interest and dividends received from investments	407,106	516,186
Other income received	276,883	211,717
Payments to suppliers and employees	(1,165,659)	(1,791,772)
Interest paid on deposits	(720,003)	(978,118)
Interest paid on borrowed money	(573)	(2,010)
Income taxes paid	(119,259)	(40,389)
	875,341	37,818
Financing activities		
Net change in member deposits	7,757,216	11,971,233
Net change in membership shares and surplus shares	(29,952)	(79,073)
	7,727,264	11,892,160
Investing activities		
Net change in member loans receivable	1,121,023	4,089,865
Purchases of property and equipment	(106,549)	(15,042)
Net change in investments	(11,398,201)	(11,516,337)
	(10,383,727)	(7,441,514)
Increase (decrease) in cash and cash equivalents	(1,781,122)	4,488,464
Cash and cash equivalents, beginning of year	12,979,681	8,491,217
Cash and cash equivalents, end of year	11,198,559	12,979,681

Lafleche Credit Union Limited
Note to the Summary Financial Statements
For the year ended December 31, 2021

1. Basis of the summary financial statements

Management has prepared the summary financial statements from the December 31, 2021 audited financial statements, which are prepared in conformity with International Financial Reporting Standards. A full set of audited financial statements can be obtained at the Lafleche Credit Union Limited 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 2021

January 2022

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.