

Helping Saskatchewan Meet the Challenge
Credit Unions Build a Strong Economy

2017 ANNUAL REPORT



Churchbridge Credit Union

Bringing Communities Together



Saskatchewan
Credit Unions

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**CHURCHBRIDGE CREDIT UNION
72ND ANNUAL GENERAL MEETING**

**Monday, April 23, 2018
7:00 PM**

AGENDA

1. Call to Order
2. Adoption of Agenda
3. Reading of the Minutes from the Annual General Meeting held April 24, 2017
4. Business Arising From the Minutes/Adoption of the Minutes
5. President's Report
6. Management Discussion and Analysis
7. Auditor's Report
8. Presentation of the Financial Statements
9. Motion to Accept Reports
10. Appointment of Auditors
11. Election Report
12. Resolution for the Destruction of Ballots
13. Bylaw Amendment
14. Long Term Service Awards Presentation
15. Question Period
16. Entertainment
17. Door Prizes
18. Adjournment

CHURCHBRIDGE CREDIT UNION

With Branches in Churchbridge, Langenburg, and MacNutt

Incorporated April 20, 1945

BOARD OF DIRECTORS

Name	Representing	Occupation	Term Expires
Calvin Swanson	Churchbridge	Miner	2018
Rodney Flunder	Churchbridge	Retired Farmer	2018
Brenda Becker	Churchbridge	Property Mgr/Office Admin	2019
Kim Liske	Langenburg	Business Owner	2019
Robert Rathgeber	MacNutt	Farmer	2020
Wendy Lutz	Churchbridge	Retired Teacher	2020
Howard McCullough	Langenburg	Retired Town Administrator	2020



L-R: Wendy Lutz, Kim Liske, Brenda Becker, Robert Rathgeber, Rodney Flunder, Howard McCullough, Cal Swanson

EXECUTIVE

President	Wendy Lutz
Vice President	Cal Swanson
Secretary	Tehra Lauer
Treasurer	Perry Wishlow

STAFF

Name	Position	Co-operative Experience
Chelsea Tall	Casual Member Services Representative	2 months
Lorraine Stoddard	P/T Member Services Representative	2 months
Tehra Lauer	Casual Member Services Rep./Executive Assistant	2 years
Klarence Ganding	P/T Member Services Rep./Temp. Tech Support	3.5 years
Kathleen Solonenka	P/T Member Services Rep./P/T Loans Assistant	3.5 years
Megan Schaan	Member Services Representative	4 years
Kendra Patzwald	Technical Support Assistant	5.5 years
Rebecca Pash	Member Services Representative	5.5 years
Lois Laboucane	Loans Officer II	8.5 years
Janessa Liepert	Office Assistant	9 years
Danielle Shackleton	P/T Member Services Representative	9.5 years
Cheryl Kitz	Senior Member Services Representative	9.5 years
Courtney Dormon	P/T Member Services Representative	10 years
Elliana Margarit	Loans Officer	10.5 years
Keri Melnyk	P/T Member Services Representative	11 years
Deidra Schaan	Loans Officer	11 years
Andrew Barker	Manager of Lending	15.5 years
Rachele Marlowe	Senior Member Services Representative	16.5 years
Brenda Yanke	Deposit Services Representative/Compliance	19.5 years
Audrey Petracek	P/T Member Services Representative	20.5 years
Gaylene Putland	Support Services Assistant	20.5 years
Connie Olm	Deposit & Support Services Manager	23.5 years
Susan Miller	Accounting Assistant	24 years
Susan Bewcyk	Financial Advisor	31.5 years
Rhonda Moskaluke	Loans Assistant	34 years
Perry Wishlow	General Manager	37 years
Charlene Popp	Branch Manager	41.5 years



Presidents Report 2017

The Board of Churchbridge Credit Union want to thank all our members both new and old for starting and continuing to do their financial business with us. Because of this continued support we are once again able to provide a patronage dividend. We also want to thank the staff for the excellent job they continue to do.

Churchbridge Credit Union started off the year with strong growth that continued all year long. With the announcement by Toronto Dominion Bank of the closure of their Langenburg Branch we acquired many new members. We were more than happy to accommodate anyone wishing to move their accounts to us. This growth in Langenburg required us to hire more staff to meet the demand.

Staff retirements and maternity leaves gave existing staff many opportunities to move to different positions. We thank the members for their patience with staff who were learning new roles. Iva Petracek was the only retirement this year. Although Charlene Popp didn't retire until 2018, she announced her retirement date in 2017. These two ladies left holes in our organization that needed to be filled, and we have managed to do this. Succession planning is a topic at our board meetings as we see other retirements upcoming.

After watching statistics from the MacNutt branch for a few years, it was with much deliberation that the board decided to close the MacNutt Branch. We thank the members of MacNutt for their loyalty over the years and for continuing to stay with Churchbridge Credit Union after the closure. It was not an easy decision. We are sure we can serve those members in other branches and by other means.

"Collaboration among co-operatives" is one of the pillars of the Co-operative Principles. This principle is often one forgotten in the competitive financial industry. This past year, Churchbridge Credit Union has been exploring collaboration with credit unions in the region including Horizon Credit Union and Accent Credit Union. We are exploring ideas that will allow small Saskatchewan Credit Unions to continue to provide the best service to members while maintaining our rural roots.


Wendy Lutz

Management Discussion and Analysis

Introduction

Churchbridge Credit Union is an independent Saskatchewan credit union owned by our members. Under the current credit union legislation, Churchbridge Credit Union is able to provide financial services to members and non-members. As of December 31st, 2017 Churchbridge Credit Union had **3,028** members and **302** non-members. Non-members *do not* participate in the democratic processes of the credit union nor are they eligible to participate in our Member Profit Sharing patronage program.

Our credit union serves the communities and surrounding areas of Churchbridge, Langenburg and MacNutt. In these communities we provide a full range of financial services including: financial, investment, commercial, agricultural and personal loans and mortgages as well as insurance and wealth management services.



Churchbridge Credit Union
Bringing Communities Together

MISSION

*The **Churchbridge Credit Union**
is committed
to serving our community's needs.*

*We provide
a full range of financial products
and services.*

VALUES

To maintain continuity with the system direction, the board and management of Churchbridge Credit Union have made the decision to adopt the Saskatchewan Credit Union System Values.

1. Cooperation and Accountability

We work together through a belief that we can accomplish more together than alone. We take into account the effect of our actions on others. In the tradition of our founders, co-operative members believe in the ethical values of honesty, openness, social responsibility, and caring for others.

2. Communication

We communicate in an open, effective and timely manner.

3. Community Impact

We actively support the development of our communities locally, provincially and beyond. Our communities are stronger because of the credit union system.

4. Employee Satisfaction

We respect our employees and their contribution to our success. We encourage employee involvement and participation. We recognize and reward them for their creativity, teamwork and achievement. We support their development by providing training and educational opportunities. We respect their need to balance personal and professional lives.

5. Financial Strength

Our strong financial performance allows us to invest in members and the community for future growth. We balance the need for financial results with the needs of our members and communities. The trust and confidence of our members is maintained through sound business practice.

6. Product and Service Excellence

We work with our members and communities to understand their needs, and respond with innovative, high quality products and services. Our employees provide friendly, knowledgeable and helpful service.

7. Professional Conduct

Members' financial affairs are conducted with integrity and in a professional manner. Our ethical principles are rooted in concern for the individual. Confidentiality is an integral part of the way we do business.

Credit Union Market Code

Churchbridge Credit Union voluntarily adheres to the Credit Union Market Code. This code has been jointly developed by Saskatchewan credit unions, SaskCentral and Credit Union Deposit Guarantee to ensure the protection of credit union members. The code sets forth guidelines for the following areas:

- **Complaint handling**, which outlines the process for dealing with all complaints regarding the service, products, fees or charges of Churchbridge Credit Union.
- **Fair sales** by outlining the roles and relationship of staff to all 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 Churchbridge Credit Union. Privacy is the practice to ensure all members/client information is kept confidential and used only for the purpose for which it was gathered.
- **Professional standards** to preserve a positive image of Churchbridge Credit Union among our members, clients and communities.
- **Capital management** to ensure our capital structure aligns with our risk philosophy.
- **Financial reporting** to adhere to business and industry standards.
- **Governance practices** to adhere to the intent and stipulation of our corporate bylaws, which are approved by the membership of Churchbridge Credit Union.
- **Risk management** to ensure all risks are measured and managed in an acceptable fashion.

Co-operative Principles

As a true co-operative financial institution, Churchbridge Credit Union acts in accordance with internationally recognized principles of co-operation:

Voluntary and Open Membership

Co-operatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

Democratic Member Control

Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are 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 into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

Education, Training and Information

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

Co-operation among Co-operatives

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

Concern for Community

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

Strategic Planning

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

Our key strategic objectives in 2017 focused in the following Strategic Results Areas (SRA):

People and Community

Attract and retain member focused employees

Our employees, regardless of whether their functional roles are internally or externally focused, are critical to successfully executing our strategies and delivering on our value proposition to our members. We accomplish this through ensuring we maintain highly engaged employees.

Be a leader in our communities through investment and community support

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

Financial

Maintain and build our financial strength to support managed growth

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

Members

Increase the depth of member (internal and external) relationships

Serving our members is why we exist. Our customer intimacy value proposition is built on:

- Ensuring we develop and maintain long-term relationships with our members.
- Taking a holistic perspective and managing the entire financial relationship with our members.
- Continually seeking to better understand our member's needs.
- Understanding the needs of those in our communities who have not yet become members.
- Recognizing and successfully delivering on a customer intimacy model means we cannot and may not be all things to all people. This may mean possibly saying 'no' when required.

Sustainability

Work with like-minded credit unions to ensure a sustainable presence in our communities

As our member expectations, communities, and the general financial environment continue to evolve it is critical we take a leadership role in determining what our future looks like.

We will accomplish this through:

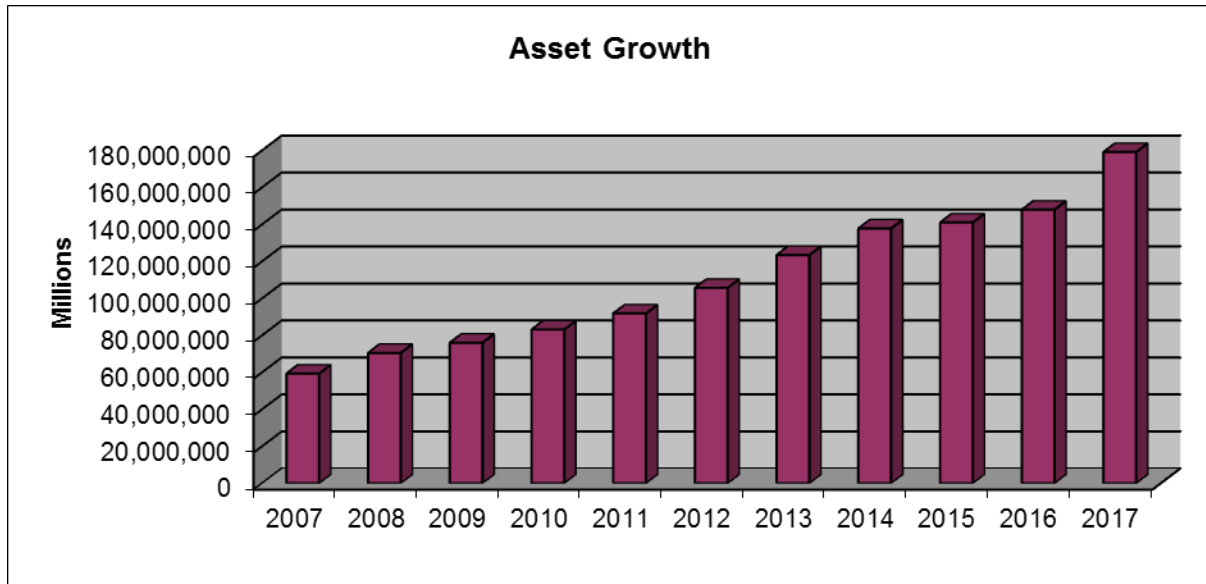
- Being proactive in engaging like-minded credit unions in pursuing collaborative and partnership opportunities that add value for our members.
- Planning for upcoming management retirements and ensuring we continue to attract, train and retain qualified board members.
- Ensuring our business model is robust and flexible to evolve with the changing environment.
- Ensuring we effectively identify and manage the risks and opportunities we face.

Financial Results

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

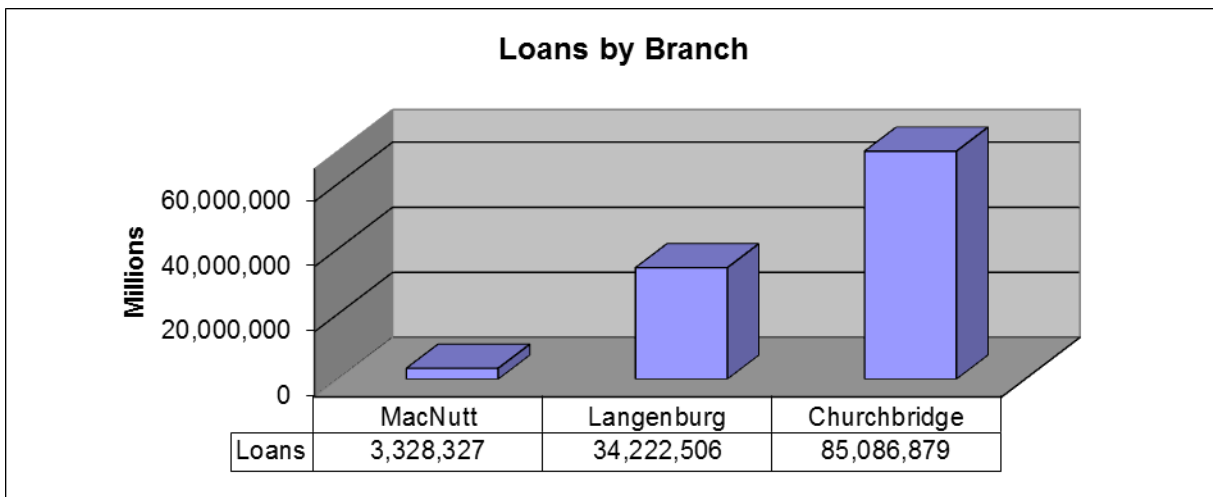
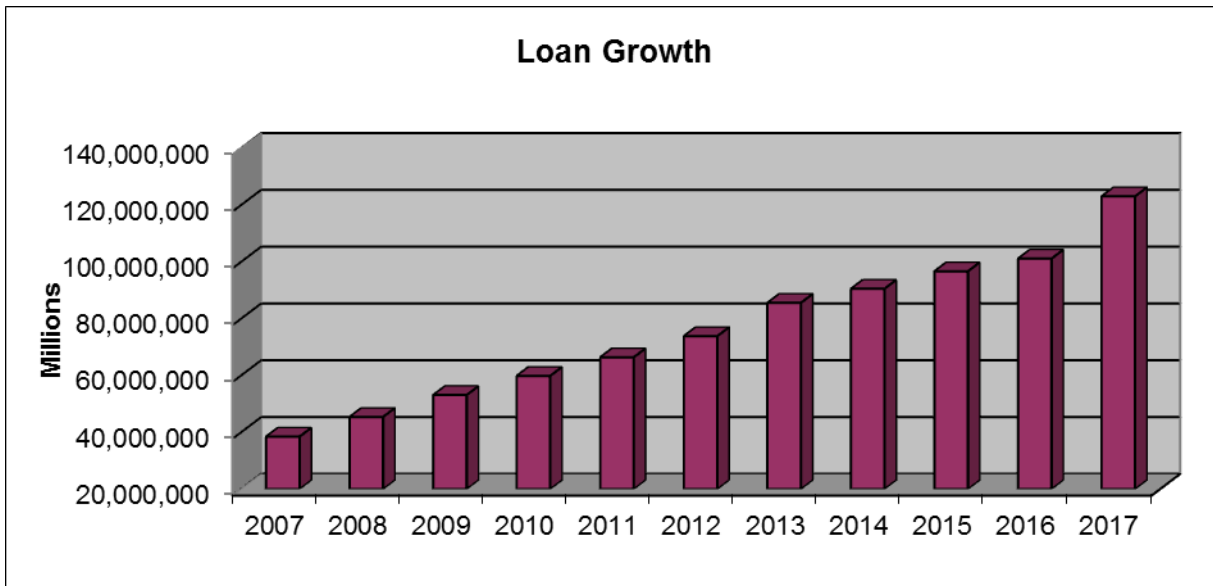
Assets

Our assets at year end were **\$179,095,347**, which includes both our “on book” assets of **\$152,186,484** and “off book” mutual funds in the amount of **\$26,908,863**. This is an increase of **\$31,181,813** or **21.08%** over 2016. The majority of this exceptional growth can be attributed to the closure of the TD bank branch in Langenburg.



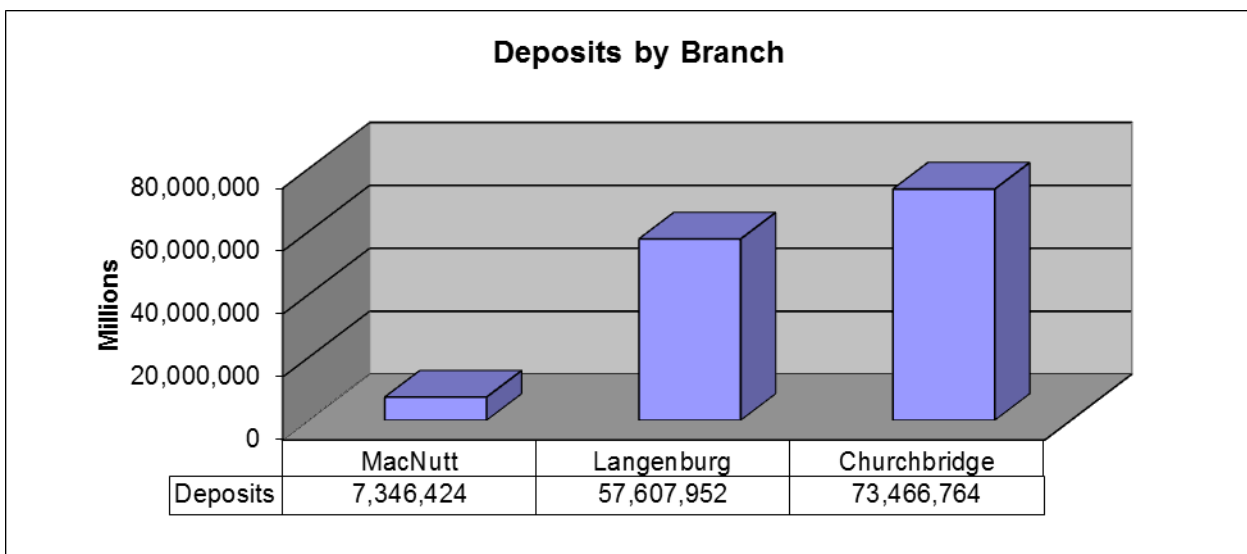
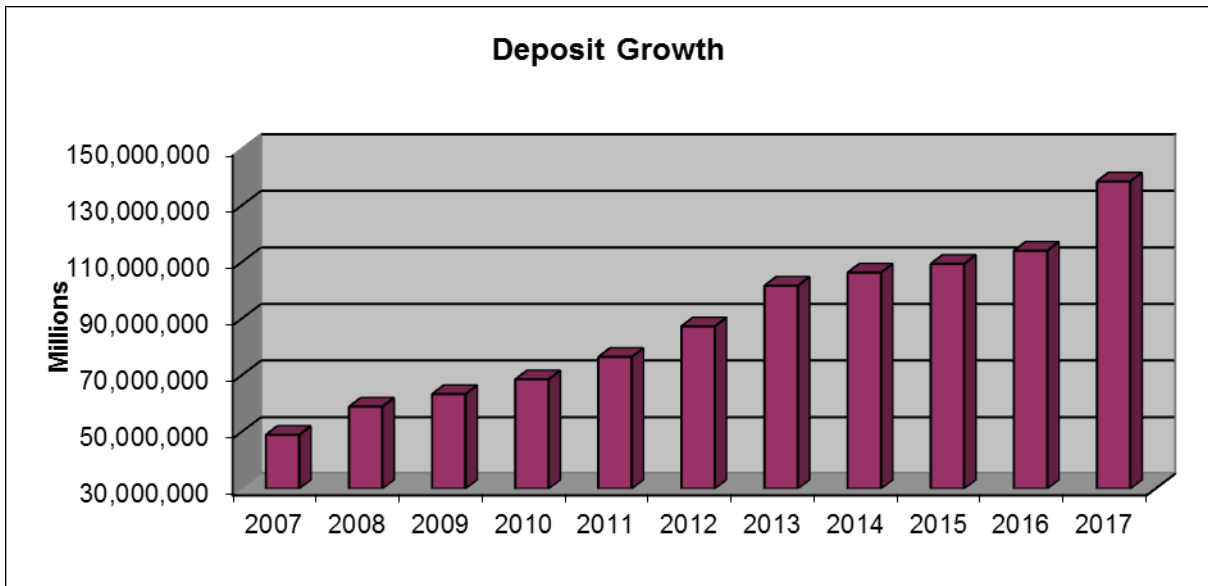
Member Loans

Our member loans, which form a majority of our assets, at year end, were at **\$123,034,365**, which is up **\$21,905,658** or **21.66%** from 2016. Our overall delinquency at year end was at **2.30%**, which is a decrease of **.66%** from 2016. Our over 90 day delinquency was at **.68%**, which is an increase of **.41%** from last year's total of **.27%**. In 2017, we approved, extended or amended **1,011** loans, which is up **217** from the previous year. In dollars this amounted to **\$75,556,927**, which is up **\$37,668,006** or **99%** from 2016. We anticipate that 2018 will be a similar year in lending, with the demand in residential mortgages leading the way.



Deposit Growth

As of year end member deposits totaled **\$138,690,939** which is an increase of **\$24,526,296** or **21.48%** in 2017. The majority of the growth was in the Interest Bearing Chequing, Tax Free Savings, Term Deposits and RRSP accounts. The Tax Free Savings accounts continued to be very popular accounts in 2017. We anticipate that 2018 will be another excellent year for deposit growth.



Our “off book” Mutual Fund Portfolio, also achieved excellent growth in 2017. The portfolio showed an increase of **\$5,504,751** or **25.72%** from 2016, ending the year with a balance of **\$26,908,863**.

Profitability

Our income prior to our **Member Profit Sharing Dividend** and **Retained Earnings** allocations was **\$1,149,435** and was distributed as follows:

Member Profit Sharing Dividend	\$360,000
Retained Earnings	\$789,435

Our profitability was down **\$25,598** from 2016, which is mainly due to an increase in operating costs.

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

We are proud to say that for 2017 we will be paying out **31%** of our year-end profits back to our members in the form of a **Member Profit Sharing Dividend**. This amounts to **\$360,000** in Member Profit Sharing Dividends for 2017, giving us a total of over **\$4.9** million paid out in the last **18** years. Thanks to you, "**Our Members**". It is because of your continued outstanding support that we are able to make this happen. The Board is committed to returning the Credit Unions profits back to the members who have helped generate these profits, through the use of the Credit Union's products and services.

The sharing of our profits with our members is what sets us apart from all of the other financial institutions.

Capital and Liquidity Management

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

The Credit Union has developed a **Capital & Liquidity Plan** for the purpose of identifying optimal capital and liquidity ranges for the Credit Union. The measures that the Board and Management will employ to work towards those optimal capital ranges is based on the following statements:

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

Churchbridge Credit Union's **Capital & Liquidity Plan** is directly related to its service delivery strategies and risk philosophy. The credit union holds a low to moderate

appetite for risk. We have focused on traditional financial services and have managed a low level of risk in its loan and investment portfolio. Liquidity has been maintained within a very comfortable range. Churchbridge Credit Union has been able to adjust to any economic changes by maintaining a reasonable profit margin and by taking a managed approach to its deposit and loan growth.

Regulators have issued more stringent standards for holding and reporting capital in financial institutions. The **Credit Union Deposit Guarantee Corporation (CUDGC)** implemented a new capital framework in 2013, which was a fundamental shift in capital management. The standard more accurately measures the need for capital based on a credit union's corporate risk profiles. It considers not only the quantity of capital, but also the quality.

In 2017, Churchbridge Credit Union's capital grew by **\$789,435** from operations and another **\$166,214** from patronage allocations to member equity accounts. Due to the higher deposit and loan growth over this last year our capital ratios were impacted. However, through careful balance sheet management, the credit union continues to maintain strong capital levels.

In 2017, our **Leverage Ratio** decreased from **8.95%** to **8.05%**. The CUDGC standard is 5% and their guideline is 7%. Our **Tier 1 Capital to Risk Weighted Assets** increased from **11.33%** to **11.67%**. The CUDGC standard is 8.50%. Our **Total Eligible Capital to Risk Weighted Assets** increased from **14.47%** to **14.84%**. The CUDGC standard is 10.50%. Through analysis of our **Internal Capital Adequacy Process**, we have been able to determine our optimal capital target level is **14.72%**.

We build our Tier 1 capital through profitability, which contributes to total retained earnings. Allocations to member equity accounts have also been an integral part of our long-term capital growth strategy. Managed growth of the member equity accounts is an important part of our overall capital plan.

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

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

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

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

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

The CUDGC has developed a phased in approach where the minimum LCR requirement starts out at 80% in 2017, then goes to 90% in 2018 and in 2019 it will be 100%.

The credit union completed an assessment of the LCR on December 31, 2017 and our ratio was well above those standards at **212.99%**.

Another liquidity calculation we monitor on a monthly basis is our lent out ratio. This ratio calculates the percentage that our loans are in comparison to our assets. As of December 31, 2017, we were lent out **81%**, which is on the top end of the acceptable range. The higher you are lent out the better your profitability will be, because loans will generate a much better return than what an investment will return and the same time we must be cognizant of the impact a higher lent out ratio will have on our liquidity situation.

If our lent out ratio was to exceed **82%**, we then would implement mitigation strategies to reduce the ratio to an acceptable level.

Key Performance Indicators

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

<u>Result Areas</u>	<u>Target/Goal</u>	<u>Actual</u>	<u>Prov Ave</u>
Deposit Growth	4 - 6%	21.48%	3.40%
Off-Balance Sheet Growth (Mutual Funds)	4 - 6%	25.72%	12.60%
Loan Growth	4 - 6%	21.66%	5.00%
Loan Delinquency (>90 days)	< 1.25%	.68%	1.03%
Leverage Ratio	7.5 - 10%	8.05%	8.26%
Tier 1 Capital/Risk Weighted Assets	9.5 - 11%	11.67%	12.88%
Total Eligible Capital/Risk Weighted Assets	12.5 - 14%	14.84%	13.74%
Non-interest Revenue	\$1,110,801	\$1,093,571	\$1,156,617
Profit (Prior to tax & Patronage Div)	\$1,369,678	\$1,337,130	\$1,506,646

Enterprise Risk Management (ERM)

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

Strategic Risk

Strategic risk is the risk that adverse decisions, ineffective or inappropriate business plans or failure to respond to changes in the competitive environment, customer preferences, product obsolescence or resource allocation will impact our ability to meet our objectives. This risk is a function of the compatibility of an organization's strategic goals, the business strategies developed to achieve these goals, the resources deployed against these goals and the quality of implementation.

Market Risk

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

Liquidity Risk

Liquidity risk is the potential inability to meet obligations, such as liability maturities, deposit withdrawals, or funding loans without incurring unacceptable losses. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources.

Credit Risk

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

Legal and Regulatory Risk

Legal and regulatory risk is the risk arising from potential violation of, or nonconformance with laws, rules, regulations, prescribed practices, or ethical standards.

Operational Risk

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

Regulatory Matters

Corporate Structure and Governance

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

Board of Directors

Mandate and Responsibilities

The board is responsible for the strategic oversight, business direction and supervision of management of Churchbridge Credit Union. In acting in the best interests of the credit union and its members, the board's actions adhere to the standards set out in *The Credit Union Act 1998*, the *Standards of Sound Business Practice* and other applicable legislation.

The board of directors acknowledges its responsibilities as including:

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

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

Board Composition

The board is composed of 7 individuals elected by the membership. Terms are for three years. Nominations are made by the membership. Voting is by secret ballot, in branch for 7 business days prior to our annual general meeting, and election results are announced at the annual general meeting.

Committees

The responsibilities of the board in a modern financial services organization involve an ever-growing list of duties. Churchbridge Credit Union maintains 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.

- **Audit and Risk Committee**

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

- **Member Relations Committee**

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

- **Building and Properties Committee**

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

- **Nominating Committee**

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

- **Conduct Review Committee**

The purpose of the conduct review committee is to ensure that all proposed related party transactions are fair to the credit union and that the exercise of the best judgement of the credit union has not been compromised as a result of a real or perceived conflict of interest.

Related party transactions will be reviewed and monitored by the Conduct Review Committee (the "CRC") for compliance with legislation, standards of sound business practice, and with credit union or committee policies and procedures. Apart from any review by the CRC, credit decisions are to be made by regular credit granting authority, policies and procedures.

Compensation and Attendance

The Board annually reviews directors' compensation and makes recommendations to ensure it remains competitive with other provincial credit unions. In 2017, we had budgeted \$24,000 and the actual remuneration was \$21,443. We also budgeted \$3,000 for mileage and our actual expense was \$3,416.

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

Director Training

All directors are enrolled in the Credit Union Director Achievement (CUDA) program and registered with the CUSource on line program. Several directors are graduates of the program. Directors are encouraged to attend director training when it is available. In 2017 we budgeted \$3,600 for director training and development and our actual expenses were \$7,607. Due to the fact that we have added 3 new directors in the last 2 years, we have had to invest more money into director training.

Executive Management

The executive management team consists of Perry Wishlow - General Manager, Charlene Popp - Branch Manager for Langenburg and MacNutt Branches, Connie Olm - Deposit & Support Services Manager and Andrew Barker – Manager of Lending. Some of you may be aware of that Iva retired at the end of June and we have contracted out the majority of the duties of her position and Charlene has announced her retirement for February 28, 2018.

Corporate Social Responsibility (CSR)

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

Each year we allocate **2.5%** of our pre-tax profits into our “**Community Investment Program**”. With **1.5%** to be distributed annually to local non-profit organizations and the remaining **1%** is set aside to help fund larger projects such as schools, health care, daycares, recreational projects, etc. Based on our 2017 profitability, we have set aside **\$32,000**, which will be donated to worthwhile organizations within our communities. Since inception of the Community Investment Program we have donated **\$126,500** towards worthwhile causes within the communities we serve.

Also, in 2017 our staff provided **1,319** volunteer hours within our communities.

Member Profit Sharing Program (MPS)

The **MPS** program is a membership benefit of the Churchbridge Credit Union. As a member you are entitled to share in the success of the credit union by receiving allocations of surplus earnings based on patronage. The more business you conduct at the Churchbridge Credit Union, the higher your allocation will be.

For 2017, Churchbridge Credit Union has allocated **\$360,000** towards a **MPS** dividend payment. This marks the **18th** year in a row that we have done so and we are just over the **\$4.9** million mark in total allocations. Our **MPS Day** celebration will be held in conjunction with **Churchbridge's June Days**, during our community BBQ, on **Friday, June 8th**. Please stop by to pick up your equity statement &/or cheque and help us support a worthwhile community cause by joining us in Churchbridge for a burger, coffee and donuts and in Langenburg for coffee and donuts on the same day.



Churchbridge Credit Union
Bringing Communities Together

Member Profit Sharing Day

The Board has approved **\$360,000** to be returned to our members, which is 31% of the profits. We have paid over **\$4.8 Million** in Member Profit Sharing in the last 18 years .

Join us on

Friday June 8

In conjunction with our June Daze BBQ

11am—1:30pm

At the Churchbridge Curling Rink

10:00am—11:00am & 1:30pm—4:00pm

Coffee and Donuts in the Churchbridge Branch

Friday June 8

10:00am—4:00pm

Langenburg Branch

Coffee and Donuts

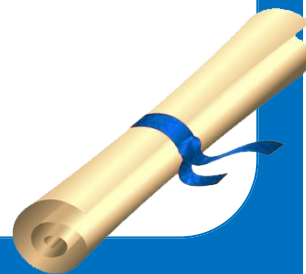
Grad 2017



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

For 2015, the scholarships were awarded as follows:

- ◆ Churchbridge Public School—Reghan Olm
- ◆ Langenburg High School— Breanna Popp
- ◆ Parkland Regional College— not awarded



2017 Community Investment Program

The Churchbridge Credit Union believes companies such as ours have the ability and the responsibility to step forward to support the social, cultural and economic enrichment of our communities. To maintain our commitment to our communities, Churchbridge Credit Union sets aside an annual pledge of up to 1.5% of pre-tax profit to non-profit organizations for substantial donations. In 2017, the Churchbridge Credit Union gave away **\$18,600** to local organizations. To date, we have given back **\$82,100** through this program.



Perry Wishlow, center, shared the giant cheque with representatives of the seven groups that received funding: From the left, Ellen Spilchen—Dog Park \$5475 for fence; Allison Fatteicher & Tracy VanDenamee - Langenburg Daycare \$2,500 for developing new area; Kelly Fatteicher—MacNutt Library \$400 for windows; Mitchell Adams, Garrett Kitz, Wyatt Baueriss, Jon Adams, Troy Kitz - MacNutt Kings \$5,475 for installing showers in the rink; Brian Watson—Heritage Cemeteries \$750 for tour and books; Valerie Entz—Sport Park \$1,500 for equipment; Erin Nichols & Erica Brick Churchbridge Daycare \$2,500 for developing new room.

2017 Donations, Sponsorships & Community Events



Community

We strongly believe in community involvement as an investment in our future and our community's future. This is demonstrated through sponsorships, corporate giving and volunteering. Some examples of our support:

Big Brothers Big Sisters	Daffodils for Cancer	Parkland College Scholarship
Bredenburg Lions Calendar	Family & Friends Grad Luncheon—Chbg & Lbg	Potashville Music Festival
Calder Poker Derby	Family & Friends Grad Legacy Fund	Snow-a-Rama
Churchbridge Arena	Heritage Cemetery	TeleMiracle
Churchbridge Aquatic Centre	Knights of Columbus	United Soccer Org
Churchbridge Business Association	Langenburg Arts Council	
Churchbridge Curling Club	Langenburg Business Association	
Churchbridge Daycare	LCS Scholarship	
Churchbridge Dog Park	Langenburg Eagle of the Month	
Churchbridge Gun Club	Langenburg Fish and Game	
Churchbridge June Daze (BBQ & Ball Drop)	Langenburg Horizon Club	
Churchbridge Lions Calendar	Langenburg Lioness Calendar	
Churchbridge Lion's Men's Night Out	Langenburg New School Committee	
Churchbridge Players	Langenburg Swimming Pool	
Churchbridge Public School	Langenburg Daycare	
Churchbridge Sports Park	Langenburg Minor Sports	
Community Corner(Four Town Journal)	Langenburg Skatepark	
Community Safety Net—Langenburg	Leaps and Bounds Dance Club	
CPS Yearbook	Little Poppets	
CPS Scholarship	MacNutt Curling Club	
CPS Track Ribbons	MacNutt Rec Centre	

CURLING, GOLF & HOCKEY

Churchbridge Ladies, Mens, Farmers and Seniors Bonspiels, Langenburg Ladies, Mens, Mixed & Seniors Bonspiels, Churchbridge Golf for the Cure, Ladies, Mens, Kaminski & Seniors Tourneys, Langenburg Ladies, Warriors & Lions Club Tourneys; Churchbridge—3 Minor Sports Hockey Tournaments, Langenburg Warriors, Langenburg Novice Hockey Tournament, MacNutt Kings Tourney

DID YOU KNOW.... That in 2017 our staff logged over 1300 volunteer hours.

Whether they are representing the credit union or their own interests, the time they serve is crucial to the well being of our communities.

Staff Casual Day

The Churchbridge Credit Union Staff pay \$1.00 every Friday to dress casual. All proceeds raised from casual days are donated to worthwhile Charities and Organizations. In 2016, some of the organizations we donated to include:



TeleMiracle



Pink Day—Breast Cancer Awareness



Ronald McDonald House



Movember—CPS Playground



Langenburg New Horizons



Little Poppets Nursery



Langenburg Homestead Museum



Big Brother Big Sister



Member Appreciation Supper



Val VanCaeseele—Churchbridge



Roy Werle —Langenburg



Donald Adam—MacNutt



CREDIT UNION DEPOSIT GUARANTEE CORPORATION

ANNUAL REPORT MESSAGE 2017

January 2018

Deposits Fully Guaranteed

Credit Union Deposit Guarantee Corporation (the Corporation) is the deposit guarantor for Saskatchewan credit unions, and the primary regulator for credit unions and Credit Union Central of Saskatchewan (SaskCentral) (together, Provincially Regulated Financial Institutions or "PRFIs").

The Corporation is charged through provincial legislation, *The Credit Union Act, 1998*, with the main purpose of guaranteeing the full repayment of deposits held in Saskatchewan credit unions. The Corporation was the first deposit guarantor in Canada and has successfully guaranteed deposits since it was established in 1953. By guaranteeing deposits and promoting responsible governance, the Corporation contributes to confidence in Saskatchewan credit unions.

For more information about deposit protection, the Corporation's regulatory responsibilities, and its role in promoting the strength and stability of Saskatchewan PFRIs, talk to a representative at the credit union or visit the Corporation's web site at www.cudgc.sk.ca.



Report of the Independent Auditors on the Summary Financial Statements

To the Board of Directors
Churchbridge Credit Union

Report on the Financial Statements

The accompanying summary financial statements, which comprise the summary Statement of Financial Position as at December 31, 2017, the summary Statements of Income, Comprehensive Income, Changes in Equity and Cash Flows for the year then ended, are derived from the audited financial statements of Churchbridge Credit Union for the year ended December 31, 2017. We expressed an unmodified audit opinion on those financial statements in our report dated April 5, 2018.

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Churchbridge Credit Union.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of a summary of the audited financial statements on the basis described in note 1.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of Churchbridge Credit Union for the year ended December 31, 2017 are a fair summary of those financial statements, on the basis described in note 1.

Collins Barrow PQ LLP

Collins Barrow PQ LLP

Yorkton, SK
April 5, 2018

Churchbridge Credit Union
Churchbridge, Saskatchewan
Statement of Financial Position as at December 31, 2017

	2017	2016
Assets		
Cash and cash equivalents	729,813	1,099,096
Investments	26,866,825	22,727,406
Loans	123,034,365	101,128,707
Foreclosed assets	44,000	
Accounts receivable	26,739	
Prepaid expenses	64,938	67,825
Income tax receivable	49,473	17,269
Property, plant and equipment	1,301,287	1,347,041
Intangible assets	23,344	40,579
Deferred income tax assets	45,700	81,500
Total Assets	\$ 152,186,484	\$ 126,509,423
Liabilities		
Deposits	138,690,939	114,164,643
Accounts payable	1,064,095	868,979
Member equity accounts	2,521,750	2,356,806
Membership shares	28,810	27,540
Total Liabilities	142,305,594	117,417,968
Equity		
Retained earnings	9,880,890	9,091,455
Accumulated other comprehensive income	0	0
	<u>9,880,890</u>	<u>9,091,455</u>
Total Liabilities and Equity	\$ 152,186,484	\$ 126,509,423

Approved on behalf of the board:

Wendy Leup Director
Rodney Dunder Director

Churchbridge Credit Union
Income Statement
For the year ended December 31, 2017

	2017	2016
Interest Income		
Loan interest	4,858,601	4,427,354
Investments	465,934	396,903
	<u>5,324,535</u>	<u>4,824,257</u>
Interest Expense		
Deposits	1,461,446	1,085,859
Borrowed money	1,946	2,459
Patronage allocation	360,000	348,000
	<u>1,823,392</u>	<u>1,436,318</u>
Net Interest	<u>3,501,143</u>	<u>3,387,939</u>
Provision for credit losses - loans	50,184	(18,992)
Provision for credit losses - foreclosed assets	38,621	(18,992)
	<u>88,805</u>	<u>(18,992)</u>
Net Interest Margin	3,412,338	3,406,931
Other income	<u>1,093,571</u>	<u>936,222</u>
Net Interest and Other Income	<u>4,505,909</u>	<u>4,343,153</u>
Operating Expenses		
Personnel	1,996,406	1,867,734
General business	1,144,217	1,103,876
Occupancy	178,985	174,037
Security	114,394	115,416
Organizational	94,777	68,482
	<u>3,528,779</u>	<u>3,329,545</u>
Net Income Before Provision for Tax	977,130	1,013,608
Income tax expense	<u>187,695</u>	<u>186,575</u>
Net Income	<u>\$ 789,435</u>	<u>\$ 827,033</u>

Churchbridge Credit Union
Statement of Comprehensive Income
For the year ended December 31, 2017

	2017	2016
Net Income	<u>\$ 789,435</u>	<u>\$ 827,033</u>
Other Comprehensive Income	<u>\$ 0</u>	<u>\$ 0</u>
Comprehensive Income	<u>\$ 789,435</u>	<u>\$ 827,033</u>

Churchbridge Credit Union
Statement of Changes in Equity
For the year ended December 31, 2017

	2017	2016
Retained Earnings		
Balance, beginning of year	9,091,455	8,264,422
Add: Net income for the year	<u>789,435</u>	<u>827,033</u>
Balance, end of year	<u>\$ 9,880,890</u>	<u>\$ 9,091,455</u>
Unrealized Gains/Losses - AFS Financial Assets	<u>\$ 0</u>	<u>\$ 0</u>
Total Equity	<u>\$ 9,880,890</u>	<u>\$ 9,091,455</u>

Churchbridge Credit Union
Cash Flows Statement
For the year ended December 31, 2017

	2017	2016
Cash Provided By (Used In):		
Operations		
Net income for the year	<u>789,435</u>	<u>827,033</u>
Adjustment for:		
Provision for impaired loans	88,805	(18,992)
Net amounts recovered/(written off)	(29,197)	(7,837)
Depreciation and amortisation	102,133	109,507
Deferred income tax provision	<u>35,800</u>	<u>(10,300)</u>
	<u>197,541</u>	<u>72,378</u>
Changes in working capital items:		
Other assets	(23,852)	(1,990)
Interest receivable - investments	(56,989)	(17,699)
Interest receivable - loans	(151,529)	30,995
Interest payable - deposits	9,356	14,053
Other liabilities	<u>162,912</u>	<u>(12,932)</u>
	<u>(60,102)</u>	<u>12,427</u>
	926,874	911,838
Loans	(21,857,736)	(4,464,002)
Deposits	<u>24,516,941</u>	<u>4,636,855</u>
	<u>3,586,079</u>	<u>1,084,691</u>
Investing activities		
Investments	(4,082,431)	(3,089,005)
Capital assets purchases	(26,897)	(20,479)
Intangible assets purchases	<u>(12,248)</u>	<u>(18,500)</u>
	<u>(4,121,576)</u>	<u>(3,127,984)</u>
Financing activities		
Share capital	<u>166,214</u>	<u>215,444</u>
Net Cash Increase (Decrease) for the Year	(369,283)	(1,827,849)
Cash position, beginning of year	<u>1,099,096</u>	<u>2,926,945</u>
Cash Position, End of Year	<u>\$ 729,813</u>	<u>\$ 1,099,096</u>

Churchbridge Credit Union
Notes to Financial Statements
For the year ended December 31, 2017

1. Basis of the Summary Financial Statements

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

- (a) The information in the summary financial statements is in agreement with the related information in the credit union's December 31, 2017 audited financial statements; and
- (b) The summary financial statements contain the information necessary to avoid distorting or obscuring matters disclosed in the audited financial statements, including the notes thereto.
- (c) The audited financial statements can be obtained by request at the main branch at 103 Vincent Avenue E., Churchbridge, Saskatchewan.
- (d) The detailed notes included in the audited financial statements are not included in the summary financial statements as these notes are available in the audited financial statements which can be obtained as described above.

Quick Facts

(as of December 31, 2017, unless otherwise indicated)

- Today there are 44 credit unions in Saskatchewan serving 218 communities through 249 service outlets.
- Credit unions offer financial products and services to more than 476,000 members.
- Saskatchewan credit union assets reached over \$22.4 billion with revenue of over \$933 million.
- Credit union lending amounts to \$18.1 billion.
- Over 420 board members 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 \$18 million to more than \$5 billion.
- In 2017, Saskatchewan credit unions returned over \$8.1 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.
- In 2016, Saskatchewan credit unions contributed more than \$7.3 million to growing communities. Our fundraising efforts brought in more than \$186,000 for causes like the Jim Pattison Children's Hospital Foundation of Saskatchewan, Red Cross Disaster Relief and Telemiracle. Our employees logged more than 27,000 hours of volunteer time for community organizations. **(2017 numbers are not yet available.)**
- Funds held on deposit in Saskatchewan credit unions are fully guaranteed through the Credit Union Deposit Guarantee Corporation. The full guarantee is made possible through a comprehensive deposit protection regime that is focused on prevention. Read more about the [guarantee](#).