



ANNUAL REPORT 2018



Churchbridge Credit Union



**Saskatchewan
Credit Unions**

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CHURCHBRIDGE CREDIT UNION
73nd ANNUAL GENERAL MEETING

Monday, April 29, 2019
7:00 PM

AGENDA

- 1.** Call to Order
- 2.** Adoption of Agenda
- 3.** Reading of the Minutes from the Last Annual General Meeting held April 23, 2018
- 4.** Business Arising from the Minutes/Adoption of the Minutes
- 5.** President's Report
- 6.** Management Discussion and Analysis
- 7.** Auditor's Report
- 8.** Presentation of the Financial Statements
- 9.** Motion to Accept Reports
- 10.** Appointment of Auditors
- 11.** Election Report
- 12.** Long Term Service Awards Presentation
- 13.** Question Period
- 14.** Door Prizes
- 15.** Adjournment

**CHURCHBRIDGE CREDIT UNION
BRANCHES IN
CHURCHBRIDGE and LANGENBURG**

INCORPORATED APRIL 20, 1945

BOARD OF DIRECTORS

<u>NAME</u>	<u>ADDRESS</u>	<u>OCCUPATION</u>	<u>TERM EXPIRES</u>
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
Calvin Swanson	Churchbridge	Miner	2021
Rodney Flunder	Churchbridge	Retired Farmer	2021

EXECUTIVE

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



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

STAFF

<u>NAME</u>	<u>POSITION</u>	<u>COOPERATIVE EXPERIENCE</u>	
Sydney Brady	P/T Member Services Rep,P/T Loans Assistant	.5	Years
Alaina Chandonnet	Part Time Member Services Representative	.5	Years
Randi Russett	Casual Member Services Representative	1.5	Years
Chelsea Tall	Part Time Member Services Representative	1	Year
Tehra Lauer	Executive/Office Assistant	3	Years
Klarence Ganding	Member Service Rep/Wealth Assistant	4.5	Years
Kathleen Solonenka	Member Services Rep/Temp Loans Trainee	4.5	Years
Megan Schaan	Office Assistant	5	Years
Kendra Patzwald	Technical Support Assistant	6.5	Years
Rebecca Pash	Accounting Assistant	6.5	Years
Lois Laboucane	Loans Officer	9.5	Years
Janessa Liepert	Loans Officer	10	Years
Danielle Shackleton	Member Services Rep/Temp. Office Assistant	10.5	Years
Cheryl Kitz	Senior Member Service Rep	10	Years
Courtney Dormon	Loans Officer Trainee	11	Years
Elliana Margarit	Loans Officer	11.5	Years
Keri Melnyk	Member Services Representative	12	Years
Deidra Schaan	Loans Assistant	12	Years
Andrew Barker	Loans Manager	16.5	Years
Rachele Marlowe	Senior Member Services Representative	17.5	Years
Brenda Yanke	Deposit and Compliance Supervisor	20.5	Years
Gaylene Putland	Support Services Assistant	21.5	Years
Connie Olm	Deposit & Support Services Manager	24.5	Years
Susan Bewcyk	Financial Advisor	32	Years
Perry Wishlow	General Manager	38	Years



Churchbridge Branch



Langenburg Branch

The Credit Union Difference

The Credit Union offers an **"Unlimited Guarantee"** of funds on deposit and most of our competitors only offer a \$100,000 guarantee.

The Credit Union has a **"Member Profit Sharing Program"** (MPS), where we share the Credit Unions annual profits with our members who helped contribute to our profitability. Our MPS program pays dividends to members who borrow money from us, members who deposit money with us and to members who pay monthly service charges to us. The Credit Union has paid out over **\$5.2 million** in dividends to our members over the last **19 years**.

The Credit Union's members **have a voice**, they can **vote for** and **run for** the **board of directors**. The board sets the policy and strategic direction of the Credit Union and the staff and management team provide the leadership to carry out the plan.

Community Support

- The Credit Union has a **"Community Investment Program"**, where annually we set aside **2.5%** of our profits, which we donate to worthwhile community projects. In **2018** we donated over **\$32,000** in cash to community organizations throughout our trading area and we have also set aside **\$50,000** for **2019**.
- Besides our Community Investment Program we also support many community initiatives with **give aways**. Ex: Hockey tournaments, curling bonspiels, school and daycare programs, music festivals, Lions and Lioness Clubs, etc.
- The Credit Union has a physical presence in Langenburg and Churchbridge from which we provide a **"full range of financial services"**, including cheque cashing, foreign exchange, ATM's, on line banking, on line apps, loans, wealth management, etc. The majority of our competitors do not have a local presence. Bricks and mortar and the provision of full financial services is a costlier offering than niche players who may not offer the same level of services.
- The Credit Union offers **products and services** that are **tailored** to the needs of our members.
- The Credit Union pays over **\$23,000** a year in **property taxes**.
- The Credit Union also provides **financial literacy programs** to the local schools, seniors and the general public.
- The Credit Union **employs** over **30** local people. These employees contribute to the local economy by paying property taxes and by supporting our local businesses. They have children who help populate our schools and who also help support our curling and skating rinks and swimming pools along with all the minor sports programs, which all help keep our communities more vibrant and prosperous.
- Our staff contributed over **1,200** volunteer hours in **2018**.

President's Report 2018

Once again the Churchbridge Credit Union had a very successful year: this feels like a repeating message, however, it is a very good one to repeat. We wouldn't have this continued success if it wasn't for the support of you, our members. The staff also contribute to this success by their willingness to help members and keep that friendly face there for our members. We, the board, continue to look at strategic plans to keep our credit union up to date and in the forefront on service and technology. With this continued success we continue to be able to offer patronage dividends to our members.

The board has continued to look at ways to collaborate and form strategic alliances with other credit unions. Most of the collaboration is in the back office work that we continually work on and update.

We thank the members for their patience through our new ATM installation in both branches and the renovation process in Churchbridge. In addition, both buildings received new lighting, which brightened up the offices and will provide energy savings costs.

You may have noticed several new faces throughout the branches. We have had several retirements and maternity leaves that required us to add to our staff compliment and move existing staff to new positions. Thank you to Charlene Popp, Susan Miller, Audrey Petrcek, and Rhonda Moskaluke for their many years of service.

We continue to support our communities through the Community Investment Program and volunteering. If you see those blue shirts, you will see Churchbridge Credit Union staff and board members volunteering.

Plans are already being put into place to celebrate our 75th year of being a credit union. Look for more details in 2020 when our anniversary will happen.


Wendy Lutz

Management Discussion and Analysis

Introduction

Churchbridge Credit Union is an independent Saskatchewan credit union owned by its members. Under the current credit union legislation, Churchbridge Credit Union is able to provide financial services to members and non-members. As of December 31, 2018 Churchbridge Credit Union had **3,051** members and **285** non-members. Non-members *do not* participate in the democratic processes of the credit union nor are they eligible to participate in our Member Profit Sharing patronage program.

Our credit union has branches in Churchbridge and Langenburg. We serve the communities and surrounding areas of Churchbridge, Langenburg, MacNutt and Bredenbury. 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.

PURPOSE

We strive to be progressive and dedicated, ensuring our members and our communities are our top priority.

VALUES

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



Churchbridge Credit Union
Bringing Communities Together

Credit Union Market Code

Churchbridge Credit Union voluntarily adheres to the Credit Union Market Code. This code 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 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 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 2018 focused in the following Strategic Results Areas (SRA):

People

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.

Community

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:

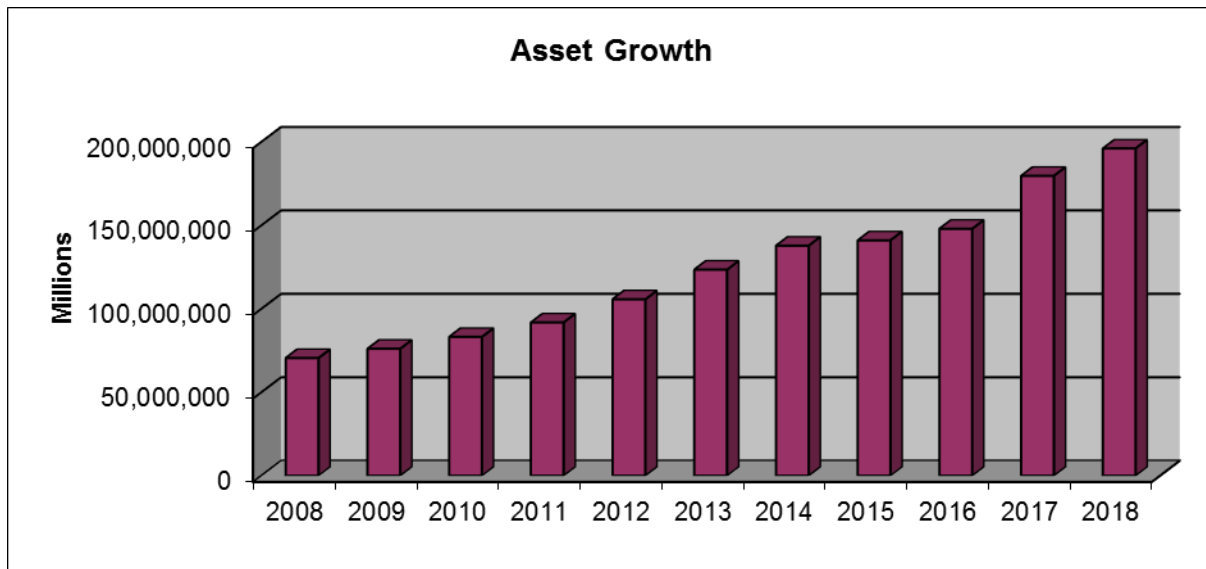
- Being proactive in engaging like-minded credit unions in pursuing collaborative and partnership opportunities that add value for our members.
- Planning for upcoming management retirements and ensuring we continue to attract, train and retain qualified board members.
- Ensuring our business model is 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.

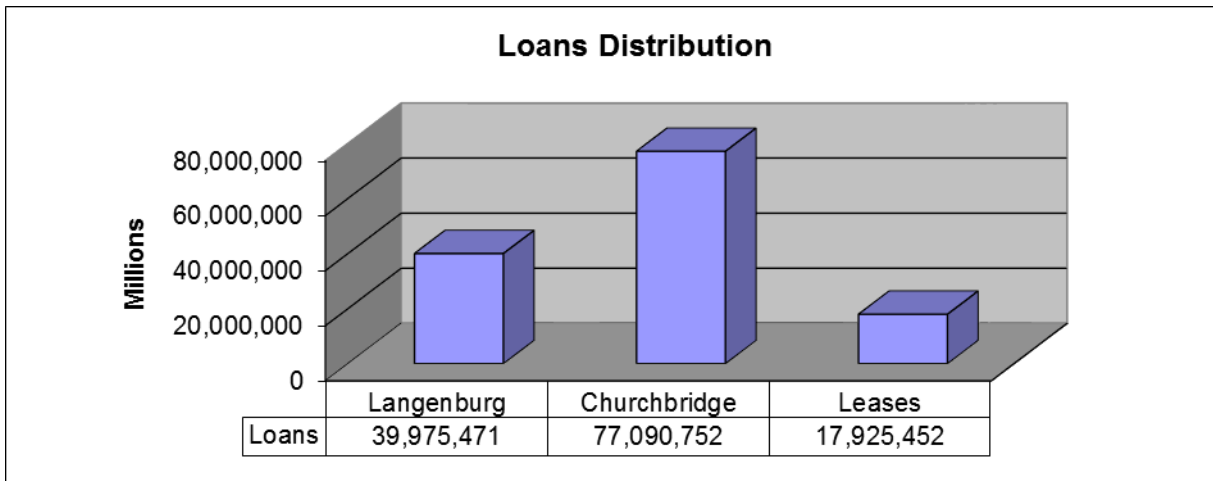
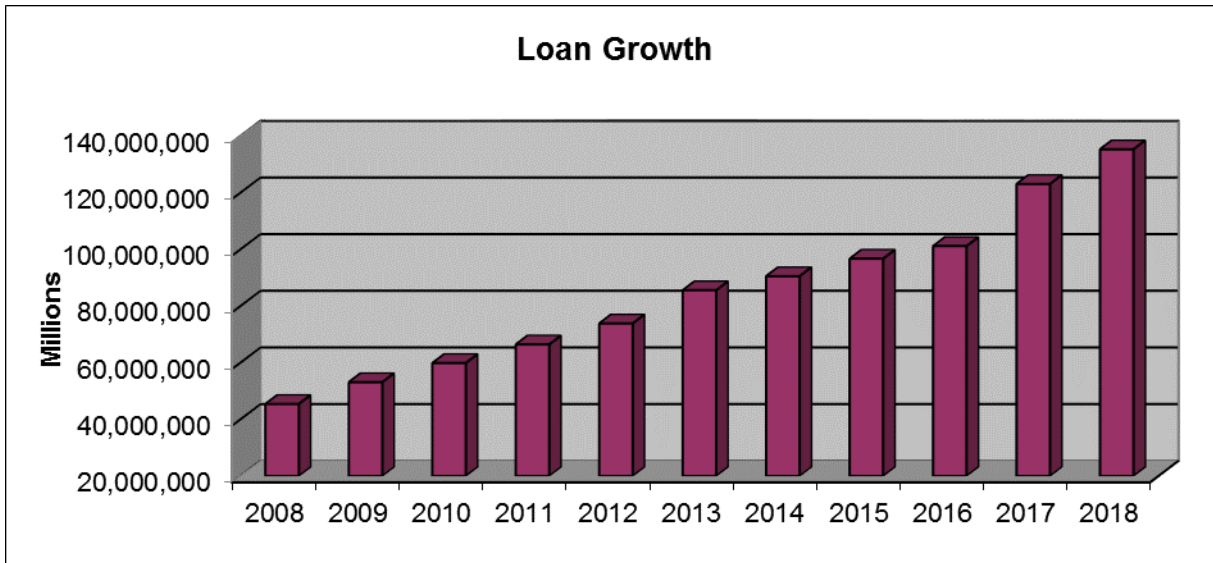
Assets

Our assets at year-end were **\$196,030,432**, which includes both our “on book” assets of **\$165,931,985** and “off book” mutual funds in the amount of **\$30,098,419**. This is an increase of **\$16,935,085** or **9.46%** over 2017. We continue to see above average growth due to the closure of the TD bank branch in Langenburg.



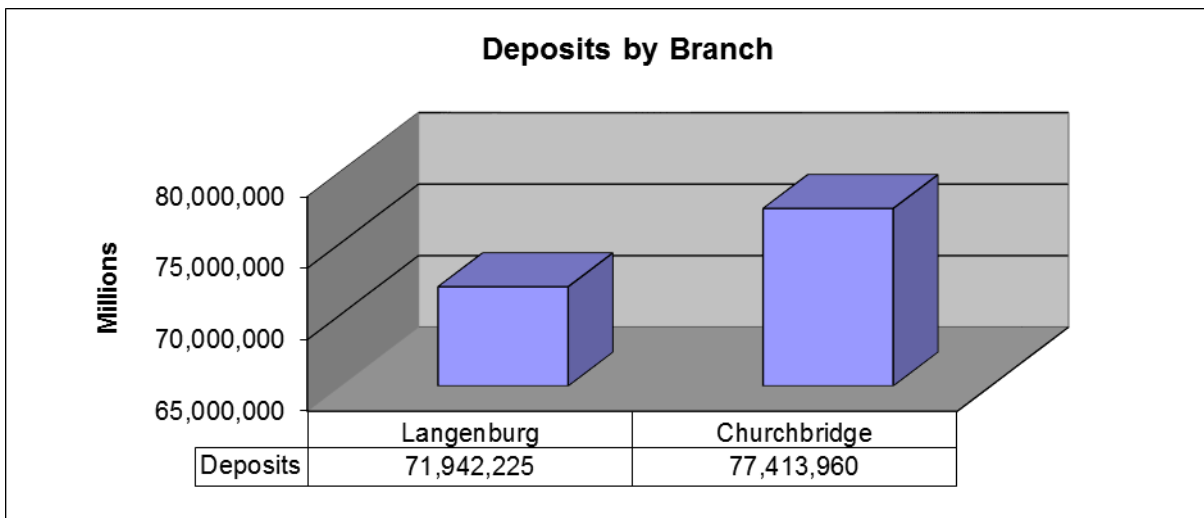
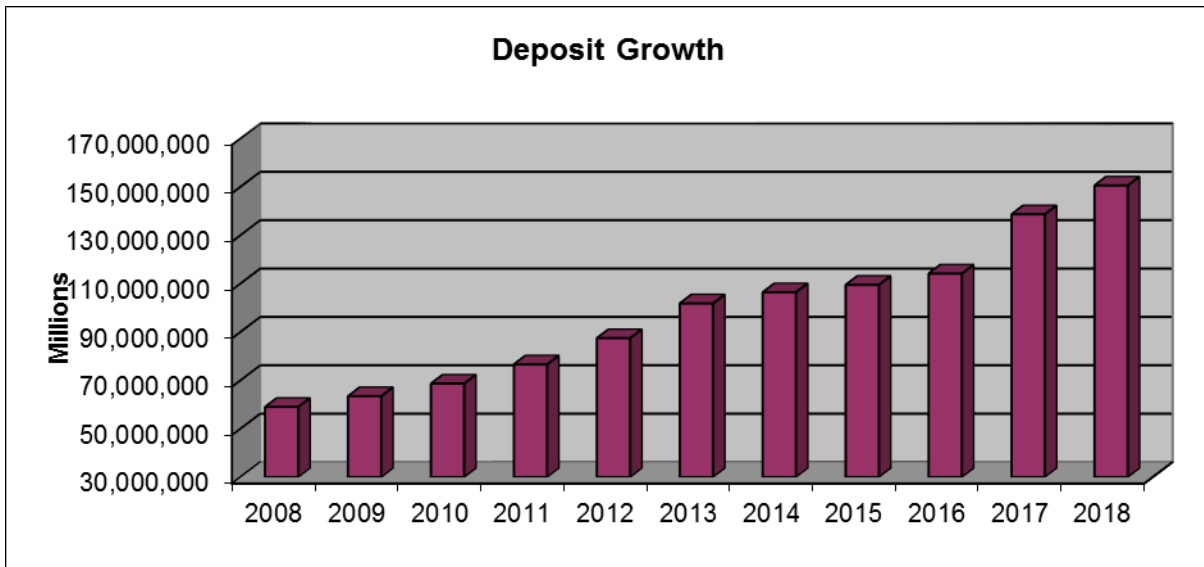
Member Loans

Our member loans, which form a majority of our assets, at year-end, were at **\$135,275,688**, which is up **\$12,241,323** or **9.95%** from 2017. Our overall delinquency at year-end was at **1.58%**, which is a decrease of **.72%** from 2017. Our over 90-day delinquency was at **.11%**, which is a decrease of **.57%** from last year's total of **.68%**. In 2018, we approved, extended or amended **910** loans, which is up **155** from the previous year. In dollars, this amounted to **\$55,834,629**, which is down **\$8,735,421** or **16%** from 2017.



Deposit Growth

As of year-end member deposits totaled **\$150,575,323** which is an increase of **\$11,884,384** or **8.57%** in 2018. The majority of the growth was in the Chequing, CUSave and Premium Investment, Term Deposits and Tax Free Savings accounts. We anticipate that 2019 will be another good year for deposit growth.



Our “off book” Mutual Fund Portfolio, also achieved excellent growth in 2018. The portfolio showed an increase of **\$2,643,843** or **9.63%** from 2017, ending the year with a balance of **\$27,454,576**.

Profitability

Our income prior to our **Member Profit Sharing Dividend** and **Retained Earnings** allocations was **\$1,637,038** and was distributed as follows:

Member Profit Sharing Dividend	\$378,000
Retained Earnings	\$1,259,038

Our profitability was up **\$487,603** from 2017. This is due to the fact that we received a very good dividend from SaskCentral, a good return on our CU Ventures Apex investment and also due to the fact that we were lent out in the 78-80% range for most of the year.

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 2018 we will be paying out **23%** of our year-end profits back to our members in the form of a **Member Profit Sharing Dividend**. This amounts to **\$378,000** in Member Profit Sharing Dividends for 2018, giving us a total of over **\$5.2** million paid out in the last **19** 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 Union's 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 our competitors.

Capital 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 Plan** for the purpose of identifying optimal capital 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 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. Churchbridge Credit Union has been able to adjust to any economic changes by maintaining a reasonable profit margin and by taking a managed approach to its deposit and loan growth.

Credit unions operate in a highly regulated environment where **Credit Union Deposit Guarantee Corporation (CUDGC)** sets regulatory standards to which each credit union must adhere. The standards segregates between two types of capital – **Tier 1** and **Tier 2**, with Tier 1 capital being the primary capital and having the highest quality. The standards require that each credit union hold a minimum common equity Tier 1 capital ratio of 8.5% of risk-weighted assets and a total eligible capital ratio of 10.5% of risk-weighted assets. In addition, credit unions are currently required to maintain a minimum **Leverage** ratio standard >5% and guideline >7% for total eligible capital (eligible capital divided by total assets), with the total assets adjusted for deduction from capital and the addition of certain off balance sheet items. The standards accurately 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 of capital and assets.

In 2018, Churchbridge Credit Union's capital grew by **\$1,259,038** from operations and another **\$158,868** from patronage allocations to member equity accounts. Due to the higher deposit and loan growth over this last few of years our capital ratios trended downwards. However, through careful balance sheet management, the credit union continues to maintain strong capital levels.

In 2018, Churchbridge Credit Union exceeded the statutory requirements in all three areas. Our **Leverage Ratio** increased from **8.05%** to **8.26%**. Our **Tier 1 Capital to Risk Weighted Assets** increased from **11.67%** to **11.92%**. Our **Total Eligible (Tier1 and Tier 2) Capital to Risk Weighted Assets** increased from **14.84%** to **14.95%**. Through analysis of our **Internal Capital Adequacy Process**, we have been able to come up with an optimal capital target level of **15.04%**.

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

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

1. Build our capital until capital standards are met.
2. Ensure that we build an additional capital base up and above standards to support future growth, development and to provide financial soundness.

3. Patronage allocations or dividends (Member Profit Sharing Program).

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

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

Liquidity Management

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

The credit union maintains a liquidity plan in support of its liquidity policy and CUDGC regulatory guidance. The liquidity plan undergoes regular reviews and is approved by the Board of Directors. As per the plan, the credit union maintains a stock of high-quality assets while regularly measuring and monitoring its available liquidity and performs stress tests to identify sources of liquidity strain. To complement its management liquidity process the credit union also maintains external borrowing facility with SaskCentral to help manage clearing and settlement and unforeseen funding requirements. At Dec 31, 2018, the credit facility was not in use.

The credit unions liquidity is measured by an operating liquidity ratio, which considers projected cash inflows as a percentage of projected cash outflows. At Dec 31, 2018, the ratio was 95.34% and compared to 2017 at 77.99%. The credit unions target range is 50% to 200% for this measure.

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 liquid 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 credit union completed an assessment of the LCR on December 31, 2018 and our ratio was **678.29%**. This ratio continues to exceed the regulatory minimum standard of **90%**. For 2019, the regulatory minimum standard will increase to **100%**.

Another liquidity calculation we monitor on a regular basis is our **Loan to Assets (LTA)** ratio. This ratio calculates the percentage that our loans are in comparison to our assets. As of December 31, 2018, we were lent out **82%**, which is on the top end of our **78% to 82%** acceptable range. The higher you are lent out, the better your profitability will be, this is because loans will generate a much better return than what an investment is able to. Although at the same time we must be cognizant of the impact a higher lent out ratio will have on our day-to-day liquidity requirements and capital ratios.

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

Key Performance Indicators

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

<u>Result Areas</u>	<u>Target/Goal</u>	<u>Actual</u>	<u>Prov Ave</u>
Deposit Growth	4 - 8%	8.57%	6.33%
Off-Balance Sheet Growth (Mutual Funds)	10%	9.63%	-1.83%
Loan Growth	4 - 8%	9.95%	5.68%
Loan Delinquency (>90 days)	< 1.25%	.11%	1.15%
Leverage Ratio	7.75 - 8.25%	8.26%	8.52%
Tier 1 Capital/Risk Weighted Assets	10 - 12%	11.92%	12.97%
Total Eligible Capital/Risk Weighted Assets	14.5 - 15.5%	14.95%	13.92%
Non-interest Revenue	\$1,064,288	\$1,178,032	\$1,242,582
Profit (Prior to Income Tax & Patronage Div)	\$1,415,245	\$1,948,527	\$1,797,478

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.

Legal and Regulatory Risk

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

Operational Risk

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

Credit Risk

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

Residential Mortgage Loan Portfolio

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

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

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

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

At year-end, our **\$135,275,688** loan portfolio was comprised of **26.4%** of **uninsured** conventional residential mortgages and **15.9%** of CMHC **insured** residential mortgages and **.19%** in **HELOC's**. In line with the draft **Residential Mortgage Underwriting Guidelines**, the credit union will continue to review its mortgage underwriting practices and documentation to ensure it meets the guidelines standards. The credit union does not believe it has undue risk in its uninsured mortgage portfolio or underwriting practices and the current risk-weighted, asset-based concentration provision in the ICAAP sufficiently address risk in the residential portfolio.

Regulatory Matters

Corporate Structure and Governance

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

Board of Directors

Mandate and Responsibilities

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

The board of directors acknowledges its responsibilities as including:

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

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

Board Composition

The board is composed of 7 individuals elected by the membership, with 4 board members representing the Churchbridge District and 3 board members representing the Langenburg/MacNutt District. All terms are for three years. Nominations are made by the membership. Voting is by secret ballot, in branch the week prior to our annual general meeting, 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 2018, we had budgeted \$17,996 and the actual remuneration was \$24,365. This is because we had many collaboration meetings with Accent and Horizon Credit Unions during the year. We also budgeted \$2,393 for mileage and our actual expense was \$3,158. 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 2018, we budgeted \$5,876 for director training and development and our actual expenses were \$2,183.

Executive Management

The executive management team consists of Perry Wishlow - General Manager, Connie Olm – Manager of Deposit & Support Services and Andrew Barker – Manager of Lending.

Corporate Social Responsibility (CSR)

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

Each year we allocate **2.5%** of our pre-tax profits into our “**Community Investment Program**”. With **1.5%** 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 2018 profitability, we have set aside **\$52,000**, which will be donated to worthwhile organizations within our communities. Since inception of the Community Investment Program, we have donated **\$178,500** towards worthwhile causes within the communities we serve.

In addition, in 2018 our staff provided **1,203** 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 2018, Churchbridge Credit Union has allocated **\$378,000** towards a **MPS** dividend payment. This marks the **19th** year in a row that we have done so and have allocated just over the **\$5.2** million since 2000. Our **MPS Day** celebration will be held in conjunction with **Churchbridge's June Days**, on **Friday, June 7th**, during our community BBQ. 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 **\$378,000** to be returned to our members, which is 23% of the profits. We have paid over **\$5.1 Million** in Member Profit Sharing in the last 19 years .

Join us on

Friday June 7

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 7

10:00am—4:00pm

Langenburg Branch

Coffee and Donuts

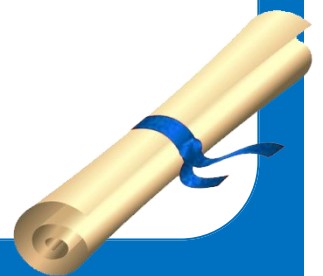
Grad 2018



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 2018, the scholarships were awarded as follows:

- ♦ Churchbridge Public School—Hannah Putland
- ♦ Langenburg High School— Kyle Werle
- ♦ Parkland Regional College— Reghan Olm



2018 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 2018, the Churchbridge Credit Union gave away **\$19,000** to local organizations. To date, we have given back **\$101,100** through this program.



Juli Mitschke, LCDB \$1,000; Kathy Adams, Connie Popp, Langenburg Business Association \$500.00; Perry Wishlow, GM; Theresa Rosin, Geraldine Kendel, Langenburg Public House Tenants \$350; Nettie Wileman Langenburg Library \$1,000



Kelly Fatteicher, Mitchell Adams, Jon Adams, Perry Wishlow GM; Perry Kitz MacNutt Rec Board \$3,000



Ken Reykjalin Town of Bredenburg \$3,000; Amanada Kornega, CPS \$5,150; Perry Wishlow GM; Russ Janzen, Countryside School \$5,000

2018 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	Community Safety Net—Langenburg	Langenburg Minor Sports
Bredenbury Cougars	CPS Yearbook	
Bredenbury Fun Spiel	CPS Scholarship	Langenburg Public Health Tenants
Bredenbury Lions Calendar	Daffodils for Cancer	LCS Yearbook
Calder Poker Derby	Family & Friends Grad Luncheon—Chbg & Lbg	Leaps and Bounds Dance Club
Canadian Cancer Society	Family & Friends Grad Legacy Fund	Little Poppets
Centennial Care Home	Heritage Cemetery	MacNutt Curling Club
Churchbridge Arena	Knights of Columbus	MacNutt Rec Centre
Churchbridge Aquatic Centre	Langenburg Arts Council	Pink & Chocolate
Churchbridge Business Association	Langenburg Bantam Girls Softball Provincial C	Potashville Music Festival
Churchbridge Curling Club	Langenburg Business Association	Snow-a-Rama
Churchbridge Daycare	LCS Scholarship	TeleMiracle
Churchbridge Dog Park	Langenburg Community Development Board	United Soccer Org
Churchbridge Gun Club	Langenburg Eagle of the Month	
Churchbridge June Daze (BBQ & Ball Drop)	Langenburg Fish and Game	
Churchbridge Ladies Night Out	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	
Community Corner(Four Town Journal)		

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; Leroy Walz Golf for Health; Churchbridge—3 Minor Sports Hockey Tournaments, Langenburg Warriors, Langenburg Novice Hockey Tournament, MacNutt Kings Tourney

DID YOU KNOW.... That in 2018 our staff logged over 1200 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 2018, some of the organizations we donated to include:



TeleMiracle



Churchbridge Daycare Summer Program



Walk of Hope



Relay for Life



Langenburg Bantam Girls Softball Provincial Tournament



Big Brother Big Sister Bowling



Member Appreciation Supper





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 PRFIs, 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

Opinion

The summary financial statements, which comprise the summary Statement of Financial Position as at December 31, 2018, the summary Statements of Income, Comprehensive Income, Changes in Equity and Cash Flow for the year then ended, and related notes, are derived from the audited financial statements of Churchbridge Credit Union for the year ended December 31, 2018.

In our opinion, the accompanying summary financial statements are a fair summary of the audited financial statements, on the basis described in note 1.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary financial statements and the auditors' report thereon, therefore, is not a substitute for reading the audited financial statements and the auditors' report thereon.

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated April 3, 2019.

Management's Responsibility for the Summary Financial Statements

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

Auditors' Responsibility

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

Baker Tilly SK LLP



Baker Tilly SK LLP

Yorkton, SK
April 3, 2019

Churchbridge Credit Union
Churchbridge, Saskatchewan
Statement of Financial Position as at December 31, 2018

	2018	2017
Assets		
Cash and cash equivalents	2,313,979	729,814
Investments	26,727,956	26,866,825
Loans	135,275,688	123,034,365
Foreclosed assets		44,000
Accounts receivable		26,739
Prepaid expenses	55,228	64,938
Income tax receivable		49,473
Property, plant and equipment	1,513,381	1,301,289
Intangible assets	10,953	23,344
Deferred income tax assets	34,800	45,700
Total Assets	\$ 165,931,985	\$ 152,186,487
Liabilities		
Deposits	150,575,323	138,690,939
Accounts payable	1,359,553	1,064,095
Income tax payable	147,500	
Member equity accounts	2,680,618	2,521,750
Membership shares	29,060	28,810
Total Liabilities	154,792,054	142,305,594
Equity		
Retained earnings	11,139,931	9,880,893
Accumulated other comprehensive income	0	0
	11,139,931	9,880,893
Total Liabilities and Equity	\$ 165,931,985	\$ 152,186,487

Approved on behalf of the board:

 Director
 Director

Churchbridge Credit Union
Income Statement
For the year ended December 31, 2018

	2018	2017
Interest Income		
Loan interest	5,640,003	4,858,601
Investments	430,019	263,802
	<u>6,070,022</u>	<u>5,122,403</u>
Interest Expense		
Deposits	1,763,658	1,461,446
Borrowed money	1,996	1,946
Patronage allocation	378,000	360,000
	<u>2,143,654</u>	<u>1,823,392</u>
Net Interest	<u>3,926,368</u>	<u>3,299,011</u>
Provision for expected credit losses - loans	58,808	50,184
Provision for expected credit losses - foreclosed assets		38,621
	<u>58,808</u>	<u>88,805</u>
Net Interest Margin	3,867,560	3,210,206
Net income from other investments at FVTPL - designated	110,044	88,473
Net income from other investments at FVTPL - mandatory	269,337	113,659
Other income	<u>1,178,032</u>	<u>1,093,571</u>
Net Interest and Other Income	<u>5,424,973</u>	<u>4,505,909</u>
Operating Expenses		
Personnel	1,972,518	1,996,406
General business	1,441,262	1,144,217
Occupancy	204,639	178,985
Security	140,783	114,394
Organizational	95,244	94,777
	<u>3,854,446</u>	<u>3,528,779</u>
Net Income Before Provision for Tax	1,570,527	977,130
Income tax expense	<u>311,489</u>	<u>187,695</u>
Net Income	<u>\$ 1,259,038</u>	<u>\$ 789,435</u>

Churchbridge Credit Union
Statement of Comprehensive Income
For the year ended December 31, 2018

	2018	2017
Net Income	<u>\$ 1,259,038</u>	<u>\$ 789,435</u>
Other Comprehensive Income	<u>\$ 0</u>	<u>\$ 0</u>
Comprehensive Income	<u>\$ 1,259,038</u>	<u>\$ 789,435</u>

Churchbridge Credit Union
Statement of Changes in Equity
For the year ended December 31, 2018

	2018	2017
Retained Earnings		
Balance, beginning of year	9,880,893	9,091,458
Add: Net income for the year	<u>1,259,038</u>	<u>789,435</u>
Balance, end of year	<u>\$ 11,139,931</u>	<u>\$ 9,880,893</u>

Churchbridge Credit Union
Cash Flow Statement
For the year ended December 31, 2018

	2018	2017
Cash Provided By (Used In):		
Operations		
Net income for the year	<u>1,259,038</u>	<u>789,435</u>
Adjustment for:		
Provision for impaired loans	58,808	88,805
Net amounts recovered/(written off)	(42,291)	(29,197)
Depreciation and amortisation	90,036	102,133
Deferred income tax provision	<u>10,900</u>	<u>35,800</u>
	<u>117,453</u>	<u>197,541</u>
Changes in working capital items:		
Other assets	36,449	(23,852)
Interest receivable - investments	5,842	(56,989)
Interest receivable - loans	(85,638)	(151,528)
Interest payable - deposits	67,361	9,356
Other liabilities	<u>492,432</u>	<u>162,912</u>
	<u>516,446</u>	<u>(60,101)</u>
	1,892,937	926,875
Loans	(12,128,205)	(21,857,736)
Deposits	<u>11,817,025</u>	<u>24,516,941</u>
	<u>1,581,757</u>	<u>3,586,080</u>
Investing activities		
Investments	133,027	(4,082,431)
Capital asset sales	100	
Capital assets purchases	(289,837)	(26,897)
Intangible assets purchases	<u>(156,710)</u>	<u>(12,248)</u>
	<u>(156,710)</u>	<u>(4,121,576)</u>
Financing activities		
Share capital	<u>159,118</u>	<u>166,214</u>
Net Cash Increase (Decrease) for the Year	1,584,165	(369,282)
Cash position, beginning of year	<u>729,814</u>	<u>1,099,096</u>
Cash Position, End of Year	<u>\$ 2,313,979</u>	<u>\$ 729,814</u>

Churchbridge Credit Union
Notes to Financial Statements
For the year ended December 31, 2018

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, 2018 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, 2018, unless otherwise indicated)

- Today there are 40 credit unions in Saskatchewan serving 218 communities through 247 service outlets.
- Credit unions offer financial products and services to more than 481,000 members.
- Saskatchewan credit union assets reached close to \$23.8 billion with revenue of over \$1.07 billion.
- Credit union lending amounts were close to \$19.2 billion.
- Over 380 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 \$19 million to more than \$6 billion.
- In 2018, Saskatchewan credit unions returned over \$10.3 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 2017, Saskatchewan credit unions contributed more than \$8.95 million to growing communities. Our fundraising efforts brought in more than \$182,000 for causes like the Jim Pattison Children's Hospital Foundation of Saskatchewan, Red Cross Disaster Relief and Telemiracle. Our employees logged more than 86,000 hours of volunteer time for community organizations during paid work hours and non-paid time. In-kind donations were nearly \$574,000. We awarded 311 scholarships/bursaries worth \$231,950.
(2018 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](#).