

ANNUAL REPORT

2022



Saskatchewan
Credit Unions

saskcu.com





2022 ANNUAL MEETING
Wednesday April 26, 2023

AGENDA

1. Registration
2. Opening Remarks
3. Supper 6:00 p.m.
4. Call to Order 7:00pm
5. Introduction of Guests
6. Adoption of Proposed Agenda.
7. Confirmation of Meeting Notice and Quorum.
8. Appointment of Chairman
9. Appointment of Recording Secretary.
10. Approval of Minutes of April 26, 2022 Annual Meeting
11. Business Arising from the Minutes
12. Board of Director and General Manager Report
13. Auditor's Report and Financial Statements
14. Adoption of the Reports
15. Appointment of an Auditor for 2023
16. New Business:
 - (a) Election of Directors:
17. Service Awards Presentation
18. Other Business
19. Adjournment.



Stoughton Credit Union
Incorporated May 1960,

Board of Directors

Name	Address	Term Expires	Years of Service
Darwin Fenn	Stoughton, Sk	2023	9
Greg Goudy	Stoughton, Sk	2023	27
Danielle Hoffman	Stoughton, Sk	2023	3
Harold Johnstn	Kenossee Lake, sk	2024	20
Deric Reaney	Stoughton, Sk	2024	14
Zandra Slater	Stoughton, Sk	2024	14
Alysson Slater	Stoughton, Sk	2025	1
Brad Gervais	Stoughton, Sk	2025	7
Roger Wyatt	Kisbey, Sk	2025	8

Executive

President

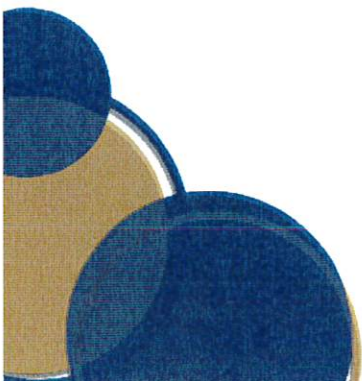
Greg Goudy

Vice President

Harold Johnston

Secretary/Treasurer

Christine Corscadden





CREDIT UNION DEPOSIT GUARANTEE CORPORATION ANNUAL REPORT MESSAGE 2022

January 2023

Credit Union Deposit Guarantee Corporation (the Corporation) is the deposit guarantor for Saskatchewan credit unions. The Corporation is also the primary regulator for credit unions and Credit Union Central of Saskatchewan (SaskCentral). Together, these entities are considered Provincially Regulated Financial Institutions or "PRFIs". The Corporation is mandated through provincial legislation, *The Credit Union Act, 1998* and *The Credit Union Central of Saskatchewan Act, 2016* in performing its duties. Provincial legislation also assigns responsibility for oversight of the Corporation to the Registrar of Credit Unions at the Financial and Consumer Affairs Authority of Saskatchewan.

The Corporation was the first deposit guarantor in Canada and has successfully guaranteed deposits since it was established in 1953. By promoting responsible governance and prudent management of capital, liquidity and guaranteeing deposits, the Corporation contributes to confidence in Saskatchewan PRFIs.

For more information about the Corporation's responsibilities and its role in promoting the strength and stability of Saskatchewan PRFIs, consult the Corporation's web site at www.cudgc.sk.ca.



MINUTES – ANNUAL GENERAL MEETING

Stoughton Legion

April 26, 2022

President Goudy thanked everyone for coming and thanked the staff for the delicious meal.

Call to Order:

The meeting was called to order by Goudy at 6:56pm

Adoption of Agenda:

R Allan/D Hoffman:

That the agenda be adopted as presented
Carried

Confirmation of Meeting Notice:

General Manager Christine Corscadden reported the annual meeting was advertised on Facebook page, our Website and by posters in both branches starting March 18, 2022. The 2021 Annual Report was available to the members on April 1, 2022. Call for Nominations were accepted from March 4-25th, 2022

Quorum:

General Manager Christine Corscadden reported there were 35 in person members, 1 guest registered which constitutes a quorum.

Appointment of Chairman:

D Reaney/D Fenn:

That Greg Goudy be appointed as Chairman

Z Slater

Nominations cease

Carried



Appointment of Recording Secretary:

Z Slater/D Reaney: That we appoint Christine Corscadden as recording secretary

D Hoffman Nominations cease

Carried

Approval of Minutes:

K Gervais/G Hale: That the minutes of the last annual meeting held April 21, 2021 as circulated in the Annual Report be approved as presented.

Carried

Business Arising from the Minutes

Nil

Reports to Membership:

The Board of Director's Report was presented by Greg Goudy.
The General Manager's Report was presented by Christine Corscadden.
The Auditor's Report was presented by Greg Goudy on behalf of Sheila Fillion of Virtus Group.

Z Slater/E Young: That the reports be adopted as presented.
Carried

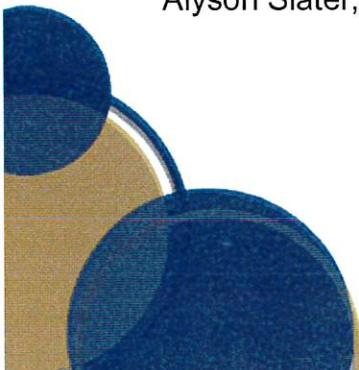
Appointment of Audit Firm:

D Fenn/A Slater: That the audit firm Virtus Group be appointed as auditors for the 2022 year.

Carried

New Business Election:

Alyson Slater, Brad Gervais and Roger Wyatt are in by acclamation.





Presentations:

Two employees were presented an award for recognition for their service to the organization:

Sherry Ksenych	5 years
Crystal Cutler	15 years

Other Business:

Door prizes: - Winners Albert, Lorrain Stocker, Derek Hoffman

Adjournment:

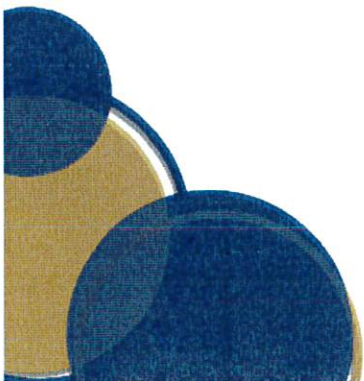
D Fenn: That the meeting be adjourned at 7:19pm.

A handwritten signature in blue ink that reads "Greg Goudy".

Greg Goudy
President

A handwritten signature in blue ink that reads "Christine Corscadden".

Christine Corscadden
Secretary





Board President and General Manager Report

We would like to welcome our members and guests to our 63rd Annual Meeting. Thank you for your attendance, participation, and interest.

2022 was a good year for our Credit Union, as life returned to normal. We saw some significant increases in our Prime lending rate over the year. Even with this we were still able to exceed our loan growth target for the year.

At last year's annual meeting we announced our Member Loyalty program. After another profitable year, the board has approved \$50 back to every member in good standing. This program was well received last year, and we look forward to giving back again this year.

Our Board of Directors met regularly throughout the year. The Staff and Board participated in a Strategic Planning session at year end to give us direction for our future. During our planning session we have identified areas of growth for our credit union and have developed a new Vision for the Stoughton Credit Union.

In closing, we would like to thank all the board members for their dedication and commitment of their time and effort working together on your behalf. We will continually strive to provide the financial services that meet the needs of our members. We would also like to thank the staff for the resiliency they have shown through the many changes we had in 2022 and we are all looking forward to a fabulous 2023.

A handwritten signature in blue ink that reads "Greg Goudy".

Greg Goudy
President

A handwritten signature in blue ink that reads "Christine Corscadden".

Christine Corscadden
General Manager



Purpose Statement

We impact our community positively and make our members dreams a reality.

Corporate Profile

Stoughton Credit Union is an independent Saskatchewan credit union owned by our members. Under the current credit union legislation, Stoughton Credit Union is able to provide financial services to members and non-members. As at December 31, 2022 Stoughton Credit Union had 1663 members.

Our credit union serves the communities of Kisbey, Stoughton and surrounding areas through two branches. In these communities, we provide a range of financial services including agricultural, commercial, personal loans and lines of credit, retail and commercial deposit services, card products, electronic banking and mobile banking.

The Credit Union Act, 1998 and The Credit Union Regulations, 1999, regulate the credit union. The credit union must comply with the Credit Union Deposit Guarantee Corporation's (CUDGC) Standards of Sound Business Practices and with Credit Union articles, bylaws and policies. Other provincial and federal regulations and common law create additional legal rights and obligations.

Vision, Mission and Values

Vision

To be a local, democratically controlled, responsible, viable cooperative financial institution, that is responsive to the economic and social needs of current and potential members.

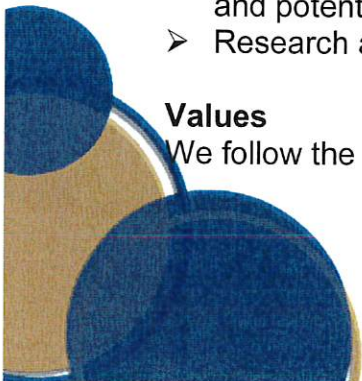
Mission

Stoughton Credit Union will:

- Maintain and develop an organizational structure that attracts and maximizes the potential of all our human resources.
- Attract and retain sufficient capital through a variety of competitively priced products designed to meet members' needs.
- Maximize use of capital for the benefit of members, security of capital, liquidity and return.
- Manage revenues and expenses in order to meet financial objectives of the Credit Union and its members.
- Develop the Credit Union and its services to meet the changing needs of members and potential members.
- Research and promote services that will develop the credit union and its members.

Values

We follow the seven Cooperative Principles:





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 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 organization, 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

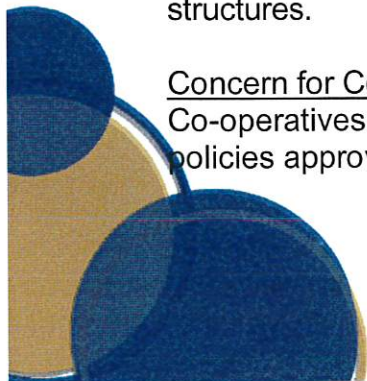
Co-operatives provide education and training for their members, elected representatives, managers, employees so they can contribute effectively to the development of their co-operatives. They inform the public – particularly young people and opinion leaders – about the nature and benefits of co-operation.

Co-operation among Cooperatives

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.





Credit Union Market Code

Stoughton 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 Stoughton 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 Stoughton Credit Union. Privacy is the practice to ensure all member/client information is kept confidential and used only for the purpose for which it was gathered.
- **Professional standards** to preserve a positive image of Stoughton 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 Stoughton Credit Union.
- **Risk management** to ensure all risks are measured and managed in an acceptable fashion.

Code of Conduct

All credit union directors and employees adhere to the principles of ethical conduct and responsible business behavior as reflected in the credit union Code of Conduct.

Any situation that requires clarification will be escalated to senior management, the Conduct Review Committee or legal counsel.

Adherence to the Code of Conduct is mandatory for all employees and directors.

Privacy Code

Stoughton Credit Union has an established privacy compliance program based on the ten principles of the Credit Union Code for the Protection of Personal Information.

The credit union adheres to the principles regarding privacy as reflected in the Market Code that is based on the Code for the Protection of Personal Information.



Strategy

The vision of Stoughton Credit Union is to be a local, democratically controlled, responsible, viable cooperative financial institution, that is responsive to the economic and social needs of current and potential members. To monitor specific objectives throughout the year that support this vision, a Strategic Plan Document has been developed that outlines the four quadrants that builds into our vision statement. The four quadrants, people, organization, technology and financial strength have objectives in each of them. These objectives are formed into tactical plans for the year. The board of directors is kept current with progress to date by the quarterly manager's report.

Our key strategic objectives in 2022 were;

People

- We will have well trained directors and staff
- Develop and maintain a Succession Plan for staff and directors

Organization

- We will meet or exceed compliance requirements
- Implement organizational changes to ensure an efficient organization

Technology

- Ensure we have the technology required to provide the best service to our members

Financial/Growth

- Ensure viability and profitability

Key Performance Drivers

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

Results	Targets	Actual
Asset Growth	3.00% - 4.00%	-1.03%
Deposit Growth	2.00% - 3.00%	-3.05%
Loan Growth	5.00%	9.10%
Loan / Asset Ratio	65.00%	48.07%
Leverage Ratio (Capital)	6.00%	8.96%
Eligible Capital	12.00% - 14.00%	17.31%
Operating Costs	<3.00%	1.37%

Corporate Structure and Governance

The governance of Stoughton Credit Union is anchored in the co-operative principle of democratic member control.



Board of Directors

Mandate and Responsibilities

The board is responsible for the strategic oversight, business direction and supervision of management of Stoughton 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 is accountable to the members of the credit union for directing the affairs of the credit union and maintaining policies that are responsive to their needs, and the needs of the credit union for sound operations.

Board Composition

The board is composed of nine directors elected on an at large basis. Changes to the bylaws approved by the membership have directed that the directors will be elected at large. Directors are elected by the membership to 3-year terms. The Nominating Committee has oversight responsibility for director nominations and the election of directors is in accordance with bylaws and policies. Nominations are made by advertising for nominations.

The election is held voting period prior to the Annual General Meeting. Voting is by paper ballot and election results are announced at Stoughton Credit Union's Annual General Meeting.

Committees

The responsibilities of the board of a modern financial services organization involve an ever-growing list of duties. Stoughton 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. Each committee is comprised of directors appointed by the board for a one year term.

- **Executive Committee** is comprised of the President, two directors and the General Manager (voting ex-officio) and act as the official representatives of the Board of Directors between regular of special meetings on most board matters. Committee members are: Greg Goudy, Brad Gervais, Deric Reaney, Christine Corscadden
- **Conduct Review Committee** ensures that Stoughton Credit Union acts with the full integrity and objectivity of its directors and employees, by having in place policies, processes and practices that protect people and the organization from claims and



from the perception of unfair benefit or conflict of interest. The committee consists of four directors: Darwin Fenn, Danielle Hoffman, Alysson Slater and Deric Reaney

- **Audit and Risk Committee** oversees risk management and ensures the integrity of financial reporting, reviews financial statements, liaises with internal and external auditors and regulators, and reviews internal control procedures. The committee consists of all the directors.
- **Public Relations Committee** oversees the member relations and marketing programs for Stoughton Credit Union. The committee consists of four directors: Alysson Slater, Danielle Hoffman, Harold Johnston and Roger Wyatt
- **Facilities Committee** oversees the maintenance and repair of the properties of the credit union. This committee consists of three directors: Harold Johnston, Brad Gervais and Roger Wyatt

Meetings and Attendance

The board holds regularly scheduled board meetings. In addition to regular board meetings, directors attend special board meetings, the annual general meeting and serve on one or more of the board committees.

There is an expectation that directors attend all board meetings and meetings of committee to which they have been appointed.

Board Compensation

Board members are volunteers and are compensated for expenses and time. Director compensation for 2022 totaled \$23,685 (2021 – 12,121) and includes:

- A per diem for each board member and committee meeting attended
- A per diem for activities attended as a representative of the Stoughton Credit Union board
- Travel costs, where applicable, to cover time and mileage to attend meetings.
- Directors Insurance
- Directors Training

Director Training

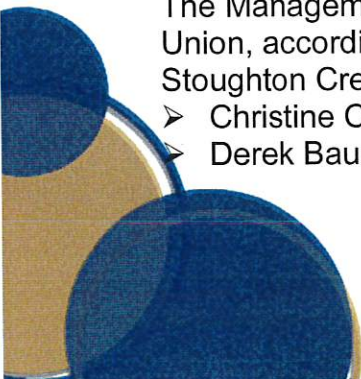
Directors continued to participate in professional development during 2022

Executive Management

The Management team is charged with carrying out the operations of Stoughton Credit Union, according to the overall strategic direction outlined by the Board of Directors.

Stoughton Credit Union operates under the following management structure:

- Christine Corscadden General Manager
- Derek Baumgartner Manager of Lending Services





Our 2022 Staff

The staff of Stoughton Credit Union provides high quality service to our members in our communities. Staff continue to enroll in training courses to improve their skills. Stoughton Credit Union employs 12 staff which supports their communities with pride. Our staff commits many hours of their own time on service clubs, sports teams, municipal and churches.

STOUGHTON

Christine Corscadden	General Manager
Derek Baumgartner	Manager of Lending
Jolene Martin	Loans Officer
Barb Corbin	Loan Clerk
Sherry Ksenych	Manger of Member Service
April Breault	MSR
Veronica Griffin	MSR
Jason Van De Woestyne	Accounting Support
Holly Fraser	MSR – Casual Part-time
Donna Adams	MSR 2 – Casual Part-time
Karla Gervais	Marketing/Project Management

KISBEY

Crystal Cutler	Branch Manager Kisbey
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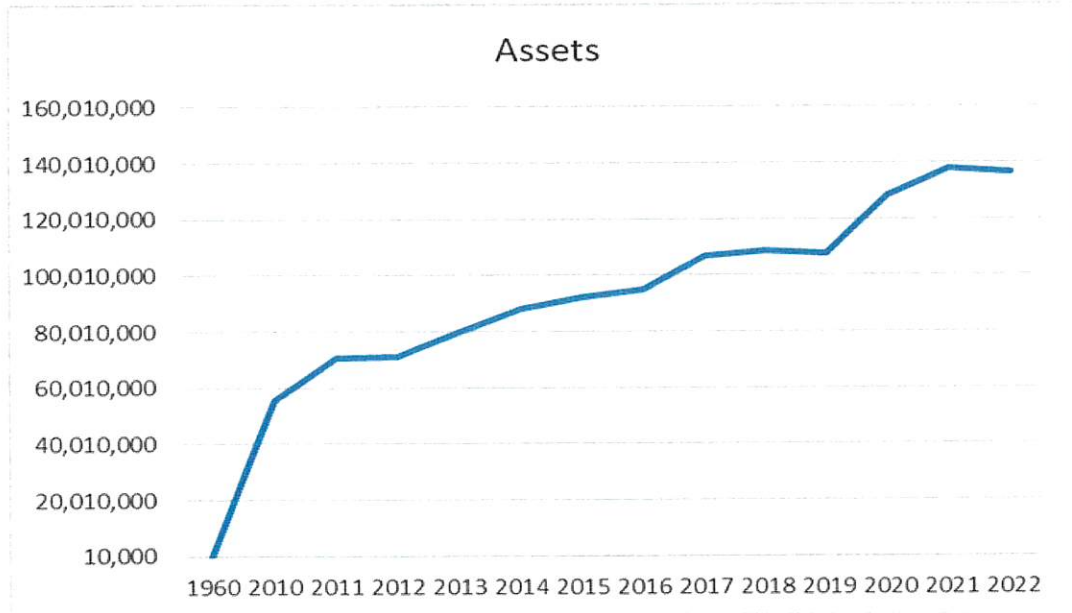
Vivian Gheysens - Retired in early 2022 we want to thank Vivian for her dedication to SCU over the year.

April Breault celebrated 5 years with Stoughton Credit Union.
Derek Baumgartner celebrated 15 years with the Credit Union.

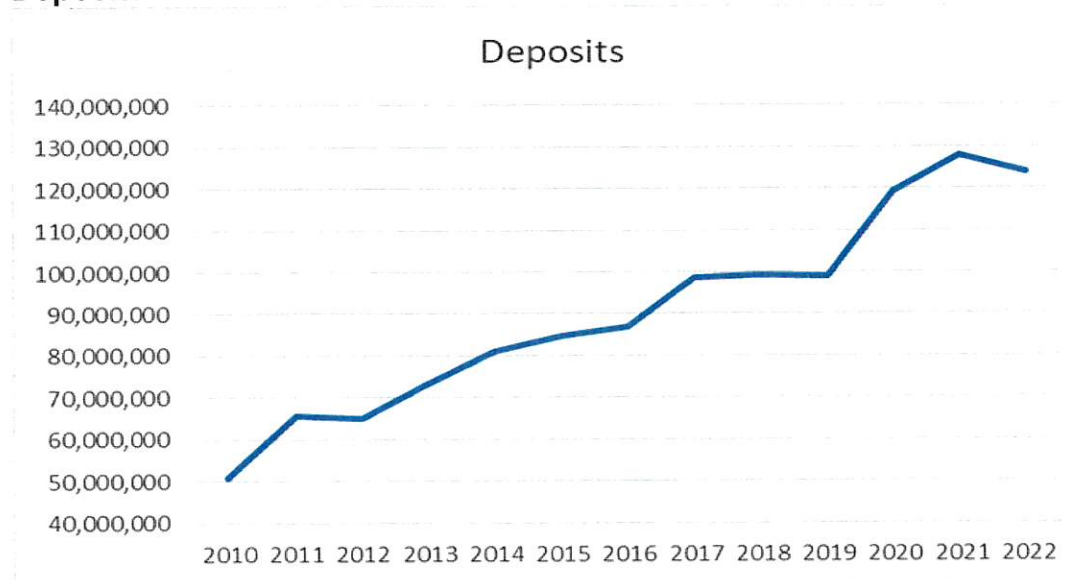


Financial Performance Review

Assets

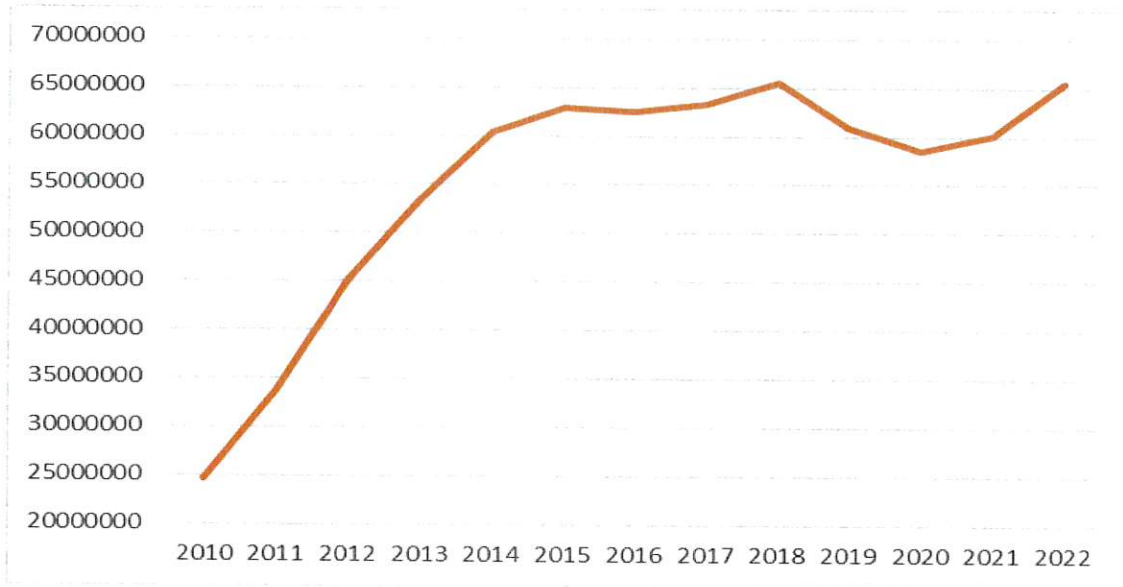


Deposits



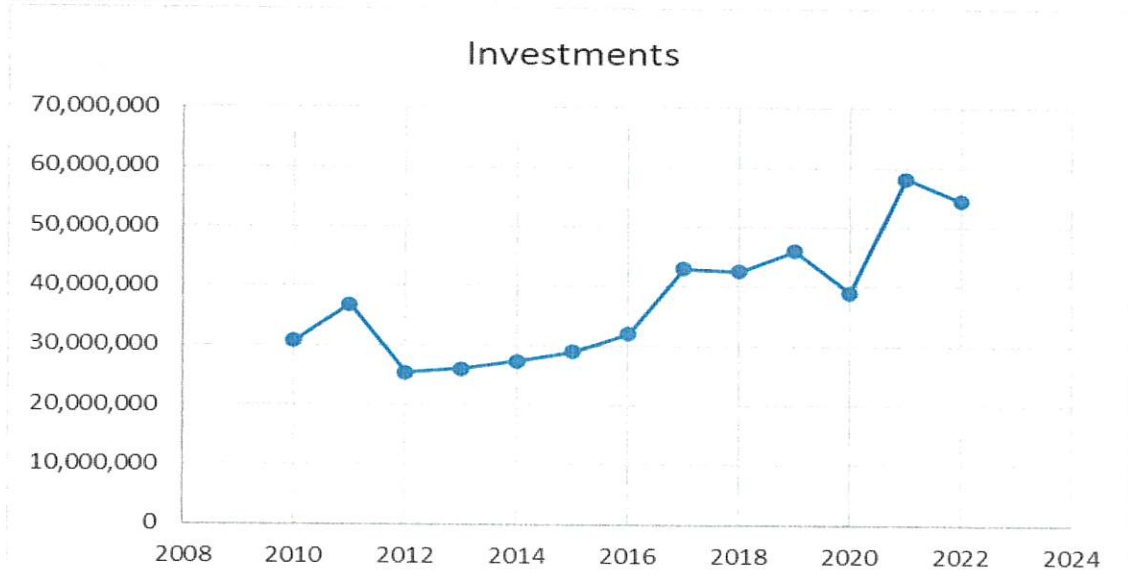
The Credit Union's deposits are 100% guaranteed by the regulator of credit unions in Saskatchewan, Credit Union Deposit Guarantee Corporation (CUDGC).

Loans



At the end of 2022 25 million of the loan portfolio is made up of participation loans and leases

Investments



Credit unions are required by the provincial regulator, CUDGC to maintain 10% of their member deposit liabilities on deposit with SaskCentral for the Provincial Liquidity program. In addition to these Statutory Liquidity Investments on deposit with SaskCentral, the Credit Union maintains a high quality, liquid pool of investments to satisfy payment obligations and protect against unforeseen liquidity events.





Loan and Residential Mortgage Portfolio

Stoughton Credit Union's loan portfolio can be influenced by excessive concentration in a number of ways: geographic region, type of product, industry, demographic characteristic and associated groups or individuals. Land values, commodity prices, home values and personal incomes all have a direct influence on risk in the loan portfolio. Also, local industries and the agricultural community are subject to market and weather conditions beyond the control of the credit union and can be difficult to anticipate.

Credit Union Deposit Guarantee Corporation introduced Regulatory Guidance relating to Residential Mortgage Underwriting. The guideline reaffirms the need for credit unions to have a stress testing process that considers unlikely, but plausible, scenarios and their impact on the residential portfolio. Results of these stress tests should be considered in the credit union's internal capital adequacy assessment process (ICAAP). Credit unions should reflect sets with inherently greater risk through risk-sensitive increases in capital identified through their ICAAP.

Stoughton Credit Union has a balanced loan portfolio with 28% consumer, 28.6% commercial, 43.19% agriculture. However: there is material exposure by product type, demographic characteristic, or associated groups/individuals. The credit union does have limited geographic exposure given our two branches in southeastern Saskatchewan and therefore use participation loans to diversify the loan portfolio as well as manage concentration limits. The credit union continues to manage on the assumption that a dramatic downturn in any industry could impact earnings/capital of the loan portfolio.

At year-end the credit union \$63.5 million loan portfolio was comprised of 5.72% insured residential mortgages and 17.74% uninsured residential mortgages. The credit union does not have any home equity line of credits. In line with the Residential Mortgage Underwriting Guideline the credit union will continue to review its mortgage underwriting practices/documentation to ensure it meets the guideline standards. The credit union does not have undue risk in the uninsured mortgage portfolio or the underwriting practices. The current risk weighted asset-based concentration provisions in ICAAP sufficiently address risk in the residential portfolio.

Credit Quality

As a credit granting organization, credit quality is a key risk management of the Credit Union. Despite the potential impacts of the recent economic conditions, the Credit Union's standard credit quality measures have remained strong. Loan delinquency greater than 90 days was 0.81% for 2022. At December 31, 2021, loan delinquency was 3.22%. This ratio is in line with our target of 2.0% for delinquency.



The Credit Union monitors its exposure to potential credit losses and maintains specific loan allowances. The quality of the credit portfolio is confirmed by both internal and external audit processes conducted annually.

Liquidity

A primary objective of Stoughton Credit Union is to prudently manage liquidity to ensure that the Credit Union is able to generate or to obtain sufficient cash equivalents in a timely manner and at a reasonable price, to meet commitments as they come due. The Credit Union has an established policy with respect to liquidity, as well as processes and practices with respect to the management of funding requirements. The Credit Union maintains liquid assets and regularly measures and monitors its available liquidity. The Credit Union also maintains external borrowing facilities to complement its liquidity management process.

SaskCentral is the statutory liquidity manager for the Saskatchewan Credit Union system. Credit Unions are required to hold 10% of member deposits in statutory liquidity funds and adjust those figures on a quarterly basis. As of year-end the credit union was at 10.78%.

The credit union regulator issued new Liquidity Standards that came into effect January 1, 2017. The new standards allow the regulator to assess if the credit union maintains 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 the credit union has an adequate level 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 regulator.

Stoughton credit union has approved a minimum LCR ratio of 150%. The credit union ended 2022 with the ratio above the standard at 370.61%.

Profitability

Total income for the year was \$2,499,428 an increase from \$679,415 in 2021. Total interest income was \$4.1 million which is an increase from \$3.28 million in 2021. Interest expense on deposits has increased slightly to \$1.4 million from \$1.10 million in 2021.

Other income includes insurance commissions, loan fees, foreign exchange and account service fees. Other income increased by \$1,452 million this is due to a large payment received from the sale of Concentra.



Operating expenses include general business, occupancy, organizational, personnel and security. The total operating expense was \$1,866 million a slight decrease from \$1,988 in 2021. As a percentage of total assets, operating expenses were 1.37% a decrease from 1.5% in 2021.

Capital Management

Capital is the core of risk management and the key variable in measuring the ability of Stoughton Credit Union to accept risk. Credit Union's measure capital adequacy through four measures. The measures are: Common Equity Tier 1 Capital to Risk Weighted Assets, Total Tier 1 Capital to Risk Weighted Assets, Total Eligible Capital to Risk Weighted Assets and a Leverage Ratio.

Risk Weighted Assets to Capital Ratios measure capital in relation to the risk in Stoughton Credit Union's balance sheet and operations. The Leverage Ratio measures the quality of Stoughton Credit Union's capital.

Capital adequacy for Saskatchewan Credit Unions is set and measured in accordance with guidelines issued by the regulator of credit unions, Credit Union Deposit Guarantee Corporation. The capital adequacy rules issued by Credit Union Deposit Guarantee Corporation have been based on the Basel III framework, consistent with the financial industry in general. The Standards of Sound Business Practice of CUDGC that incorporate the Basel III framework took effect on July 1, 2013.

Failure to comply with regulatory limits in these two capital elements (capital and risk weighted capital) may result in regulator intervention. Stoughton Credit Union is in compliance with regulated limits.

Stoughton Credit Union maintains a capital plan. The objectives of the capital plan are to:

- Ensure capital meets regulatory standards
- Sustain growth in current market operations
- Maintain flexibility to accommodate strategic business plans and growth initiatives
- Provide confidence to regulator and member
- Provide a financial cushion against potential losses, satisfy liquidity and protect against insolvency

Capital Trends

The capital position of the credit union remains strong from both an Eligible Capital and a Risk Weighted Capital standpoint.

Total Tier 1 and Eligible Capital increased from last year. The table below outlines the CUDGC minimum standards and the credit union position in relation to the standards.



	<u>Regulatory</u>	<u>Board Policy</u>	<u>2022 Actual</u>	<u>2021 Actual</u>
Total Tier 1	8.50%	12.00%	16.86%	14.81%
Eligible Capital	10.50%	12.0% - 14.0%	17.31%	15.24%
Leverage	5.00%	6.00%	8.96%	7.33%

Effective January 1, 2016 an additional Conservation Buffer of 2.50% was added to both Tier 1 Capital and Eligible Capital to bring the minimums to 10.50% and 8.50% respectively.

The table shows that Stoughton Credit Union is operating above the regulatory standards and within our targets. The targets for Stoughton Credit Union are approved by the board of directors and reviewed annually to reflect our current economic operating issues and marketing opportunities.

Credit unions are to have a process in place for assessing their overall capital adequacy in relation to their risk profile and a strategy for building and maintaining their capital levels. This process is part of the Internal Capital Adequacy Assessment Process or ICAAP that credit unions implemented in 2013 as the reporting standards of Basel III to our regulator are now in effect. Basel III is the international standard for capital that financial institutions must adhere to and these standards increased effective January 1, 2016. As a component of ICAAP, Stoughton Credit Union is required to perform rigorous, forward-looking stress testing to complement and validate risk management approaches and identify possible events or changes in market conditions and their effect on the financial condition of the organization.

Members

In 2022 we continued to work on expanding our presence through ad campaigns and social media. Karla Gervais is the head of our marketing department and has been doing a great job at expanding our brand. In 2022 we introduced Member Direct Small Business.

Patronage

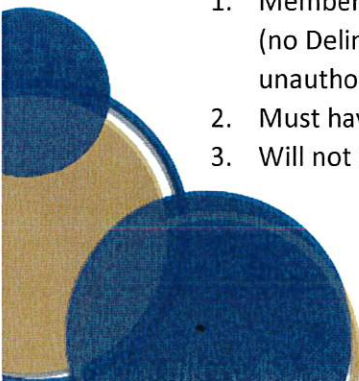
The patronage rebate payment to members was suspended again for the 2022 year.

Loyalty Payment

The Board has approved a \$50 per membership loyalty payment.

Eligibility

1. Member must have an account that is in good standing at year end and at the time of payout (no Delinquent Loans, Main account must not be in an inactive or dormant state, no unauthorized overdraft)
2. Must have a membership – open to all ages
3. Will not include – Not for Profit Groups or Trust's





Enterprise Risk Management (ERM)

As a financial institution, Stoughton Credit Union is exposed to a variety of risk. Risk is the downside that exists in almost every aspect of the Credit Union's activities. Risk represents the potential negative impact to the Credit Union's ability to achieve important goals. Risk can also cause financial loss and harm to a credit union's reputation. Managing, or appropriately, balancing risk with business opportunities is the top priority for the Board of Directors and Management. Building sound policies and operational processes, audit practices, capital strategies and liquidity management, supported by strong human resources is the heart of strategic objectives.

Stoughton Credit Union is exposed to risks that are classified within one of the following categories: credit, market, liquidity, operational, legal and regulatory, emerging/reputation and strategic. ERM prioritizes the level of risk and identifies the strategies or gaps that are to be addressed in each risk category. The risk areas identified for Stoughton Credit Union are as follows:

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.

Stoughton Credit Union has an annual strategic planning process. Management reports to the Board of Directors on a quarterly basis the performance of the Credit Union to the plan.

Market / Interest Rate 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.

Stoughton Credit Union utilizes management processes to determine existing market, past trends and possible future direction. There are specific policies that define risk limits in this area. Management utilizes Static Gap Modelling to regularly monitor and manage this risk.

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.

Stoughton Credit Union has a liquidity and capital plan as well as specific policies and regulatory limits to manage this risk. Stoughton Credit Union maintains sufficient liquid resources to fund our balance sheet and to meet the cash requirements of our members. Stoughton Credit Union has a portfolio of liquid assets and has a line of credit with SaskCentral.

Credit Risk

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

Credit risk is managed through approved policies, procedures, standards, regulations and controls. The credit portfolio and lending practices are regularly reviewed and assessed by our external and internal auditors. The audit results are reported to the Board of Directors.

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.

Stoughton Credit Union has policies and processes in place to ensure compliance requirements are met. Internal and external audits are conducted, and the results are reported to the Board of Directors.

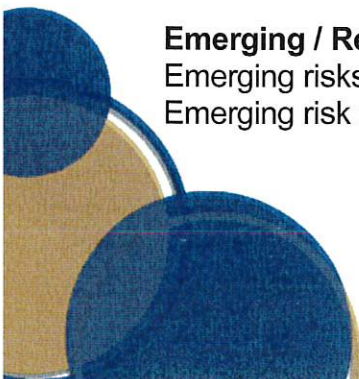
Operational Risk

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.

Stoughton Credit Union uses policies, procedures, controls and monitoring to mitigate operational risk. Risk is managed and monitored through internal audits, insurance, business continuity planning and technology plans, procedures and processes.

Emerging / Reputation

Emerging risks are issues that could have an impact on the credit union in the future. Emerging risk may change very rapidly; thus the importance of identifying and monitoring.





To reinforce the ERM process the Credit Union's board of directors' review policies annually to address changes to the financial services industry and to make changes/set limits that match the credit union's risk tolerance. The credit union continues to have external input to address the ever-changing environment. The financials are reviewed semi-annually by our external auditors. Also, on an annual basis the credit union subcontracts the internal audit function to review policy, procedures and practices of the credit union.

Corporate Social Responsibility (CSR)

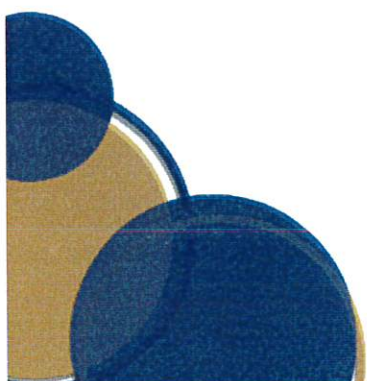
Stoughton Credit Union is committed to being a strong corporate citizen within our trading area. The Credit Union provides funds to projects that add improvement to quality of life, improve public facilities or host events that enrich the community. The Credit Union believes that corporate responsibility and social responsibility go hand in hand – there is a responsibility to be a good corporate citizen by giving back to the communities in which we live and do business.

Donations/Sponsorships

Stoughton Credit Union continues to support other organizations in our communities as well through cash donations, sponsorships and volunteer activities. In 2022 the credit union donated over \$8,000 in cash and gifts-in-kind to organizations in our trading area over the year. We held two successful BBQs in the fall with donations going to the Stoughton Curling Club and the Fern Rebekah Lodge in Kisbey. We matched donations to both organizations for just over \$2,400. We held our 12 Days of Giveaways mid-December and saw a great response for our second year. For the final day we made \$6,050 in donations to 31 different community groups.

Scholarships

Each year, Stoughton Credit Union presents a \$500 scholarship award to the graduates that will continue their education. A maximum of three scholarship awards are presented.



2022 BBQs



*2022 Stoughton BBQ
Donation Recipient*
Stoughton
Curling Club

Thank
you



*2022 Kisbey BBQ
Donation Recipient*
Fern Rebekah
Lodge #33

Thank
you



In the Community



12 Days of Giveaways

Welcome to Winter Smores gift

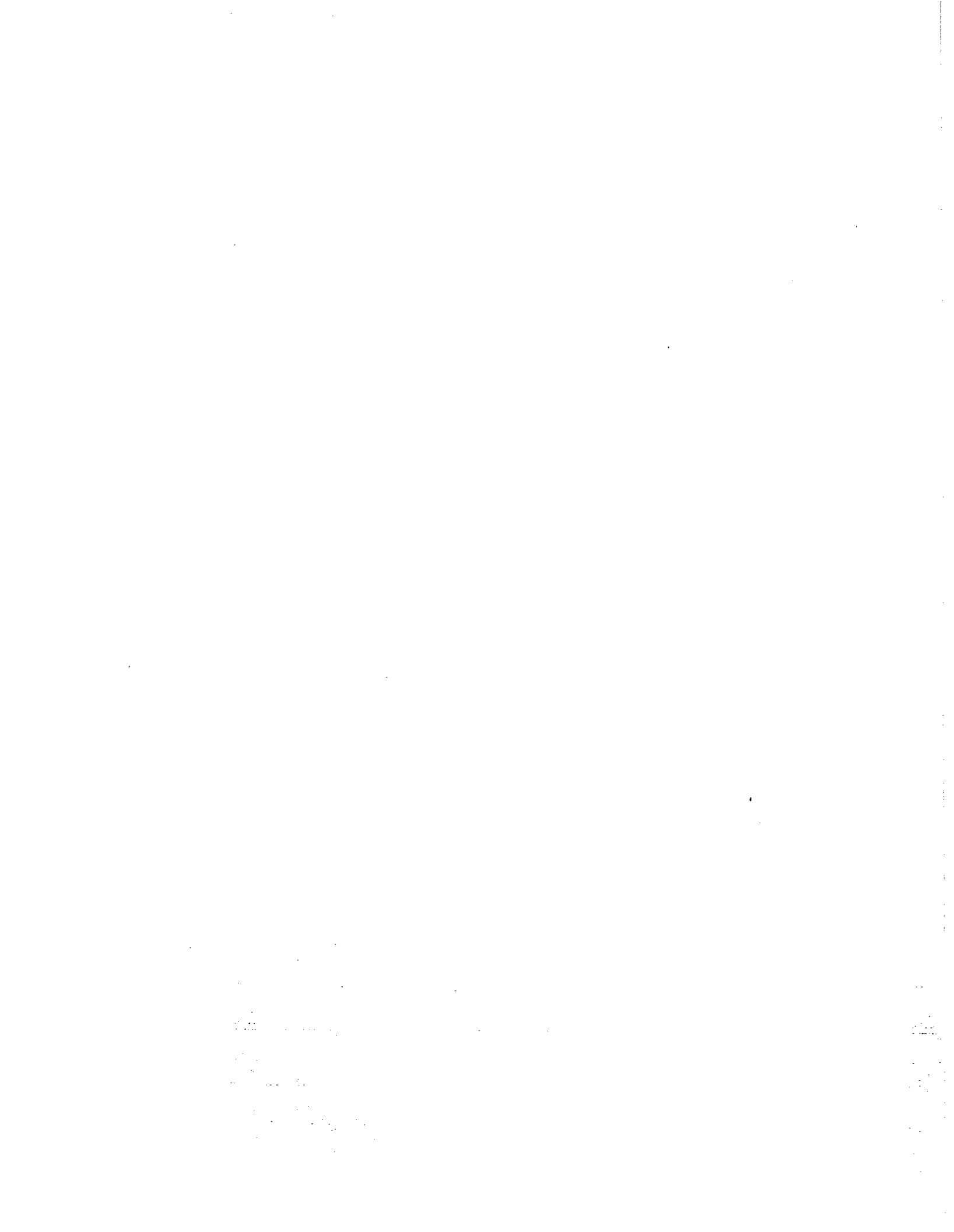


Volunteering & Bonspiel Sponsor



Sponsored Golf cart at Stoughton Golf Club





STOUGHTON CREDIT UNION LIMITED

STOUGHTON, SASKATCHEWAN

**INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS**

DECEMBER 31, 2022

MANAGEMENT'S RESPONSIBILITY COMMUNICATION

**To the Members,
Stoughton Credit Union Limited**

Management has responsibility for preparing the accompanying financial statements and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and making objective judgements and estimates in accordance with International Financial Reporting Standards.

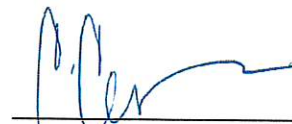
In discharging its responsibilities for the integrity and fairness of the financial statements and for the accounting systems from which they are derived, management maintains the necessary system of internal controls designed to provide assurance that transactions are authorized, assets are safeguarded and proper records are maintained.

Ultimate responsibility for financial statements to members lies with the Board of Directors. An Audit Committee of Directors is appointed by the Board to review financial statements in detail with management and to report to the Board of Directors prior to their approval of the financial statements for publication.

Independent auditors appointed by the members audit the financial statements and meet separately with both the Audit Committee and management to review their findings. The independent auditors report directly to the members and their report follows. The independent auditors have full and free access to the Audit Committee to discuss their audit and their findings as to the integrity of the Credit Union's financial reporting and the adequacy of the system of internal controls.



Chair, Audit Committee



General Manager

INDEPENDENT AUDITORS' REPORT

**To the Members,
Stoughton Credit Union Limited**

Opinion

We have audited the financial statements of **Stoughton Credit Union Limited**, which comprise the statement of financial position as at December 31, 2022, and the statements of members equity, comprehensive income, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Credit Union in accordance with the ethical requirements that are relevant to our audit of the financial statements in Saskatchewan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Credit Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Credit Union or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Credit Union's financial reporting process.

continued .../

INDEPENDENT AUDITORS' REPORT continued

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

March 15, 2023
Regina, Saskatchewan

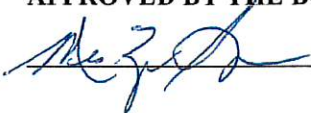
VIRTUS GROUP LLP
Chartered Professional Accountants



STOUGHTON CREDIT UNION LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022
(with comparative figures for 2021)

ASSETS		
	<u>2022</u>	<u>2021</u>
Cash and cash equivalents (Note 4)	\$ 12,124,356	\$ 16,781,552
Investments (Note 5)	54,508,960	58,282,062
Loans receivable (Note 6)	65,614,770	60,139,304
Other assets (Note 7)	1,677,672	88,409
Property and equipment (Note 8)	2,582,018	2,630,894
	<u>\$ 136,507,776</u>	<u>\$ 137,922,221</u>
LIABILITIES		
Deposits (Note 9)	\$ 123,941,168	\$ 127,844,518
Other liabilities (Note 11)	268,245	278,618
Shares (Note 12)	8,315	8,465
	124,217,728	128,131,601
MEMBERS' EQUITY		
Retained earnings	12,290,048	9,790,620
Accumulated other comprehensive income	-	-
	<u>\$ 136,507,776</u>	<u>\$ 137,922,221</u>

APPROVED BY THE BOARD:

 Director

 Director

"See Accompanying Notes"

STOUGHTON CREDIT UNION LIMITED
STATEMENT OF CHANGES IN MEMBERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022
(with comparative figures for the year ended December 31, 2021)

	<u>2022</u>	<u>2021</u>
RETAINED EARNINGS		
Retained earnings - beginning of year	\$ 9,790,620	\$ 9,111,205
Net income	<u>2,499,428</u>	<u>679,415</u>
Retained earnings - end of year	<u>\$ 12,290,048</u>	<u>\$ 9,790,620</u>
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Accumulated other comprehensive income - beginning of year	\$ -	\$ -
Other comprehensive income	<u>-</u>	<u>-</u>
Accumulated other comprehensive income - end of year	<u>\$ -</u>	<u>\$ -</u>
TOTAL EQUITY	<u><u>\$ 12,290,048</u></u>	<u><u>\$ 9,790,620</u></u>

"See Accompanying Notes"

STOUGHTON CREDIT UNION LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022
(with comparative figures for the year ended December 31, 2021)

	<u>2022</u>	<u>2021</u>
Interest revenue		
Loan	\$ 2,914,402	\$ 2,679,908
Investment	1,181,459	602,498
	<u>4,095,861</u>	<u>3,282,406</u>
Interest expense		
Member deposits	1,324,784	1,103,232
Patronage allocation	78,750	77,250
	<u>1,403,534</u>	<u>1,180,482</u>
Net interest	2,692,327	2,101,924
Provision for credit losses (recoveries)	<u>30,595</u>	<u>(199,977)</u>
Net interest after provision for credit losses (recoveries)	<u>2,661,732</u>	<u>2,301,901</u>
Other income	<u>1,929,095</u>	<u>477,547</u>
Operating expenses		
General business	652,768	802,967
Occupancy	142,927	157,646
Organizational	41,804	33,072
Personnel	916,501	890,218
Security	112,536	104,364
	<u>1,866,536</u>	<u>1,988,267</u>
Income before income taxes	2,724,291	791,181
Income taxes (Note 17)		
Current	181,663	109,966
Deferred	43,200	1,800
	<u>2,499,428</u>	<u>679,415</u>
Net income before other comprehensive income	<u>2,499,428</u>	<u>679,415</u>
Other comprehensive income	<u>-</u>	<u>-</u>
Comprehensive income	<u>\$ 2,499,428</u>	<u>\$ 679,415</u>

"See Accompanying Notes"

STOUGHTON CREDIT UNION LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
(with comparative figures for the year ended December 31, 2021)

	<u>2022</u>	<u>2021</u>
Cash provided by (used in) operating activities:		
Comprehensive income	\$ 2,499,428	\$ 679,415
Items not involving cash:		
- Amortization	99,478	109,921
- Provision for credit losses (recoveries)	30,595	(199,977)
Net change in other assets and other liabilities	<u>37,146</u>	<u>281,944</u>
	<u>2,666,647</u>	<u>871,303</u>
Cash provided by (used in) investing activities:		
Investments	3,773,102	(19,216,598)
Loans receivable	(5,506,061)	(1,322,260)
SaskCentral dividend receivable	(1,636,783)	-
Property and equipment	<u>(50,602)</u>	<u>(80,952)</u>
	<u>(3,420,344)</u>	<u>(20,619,810)</u>
Cash provided by (used in) financing activities:		
Deposits	(3,903,349)	8,572,189
Shares	<u>(150)</u>	<u>(305)</u>
	<u>(3,903,499)</u>	<u>8,571,884</u>
Decrease in cash	(4,657,196)	(11,176,623)
Cash position - beginning of year	<u>16,781,552</u>	<u>27,958,175</u>
Cash position - end of year	<u>\$ 12,124,356</u>	<u>\$ 16,781,552</u>

"See Accompanying Notes"