

Rockglen-Killdeer Credit Union Annual Report 2020



Rockglen Killdeer

CREDIT UNION

(Killdeer Credit Union Limited 1948-1958)
Incorporated as Credit Union No. 211 on November 12, 1948

Founding Members

Ole Fagerhaugh

James A. McGowan

Otto F. Pakula

K. R. Bennett

Richard D. Ellis

Clarence McKee

George Johnson

Edith Barker

Donald M. Currie

Nick Panko

Original Directors

James McGowan (President)

Richard D. Ellis (Vice-President)

Edith Barker

Olive Fagerhaugh

Ole Fagerhaugh

Present Directors

Occupation

Term Expiry

Tyler Remou  - 9 Years

Chad McGonigal - 15 Years

Marvin Bakke - 19 Years

Wendy Spagrud - 4 Years

Tasha Pituley - 6 Years

Darlene Loucks - 6 Years

Laurie Disney - 0.5 Yrs

Engineer/Farmer

Rancher/Farmer/RM Foreman

Farmer

Rancher/Farmer

Pre-K Teacher/Bus Driver

Retired CU Employee/Rancher

Rancher/Farmer

2021

2021

2021

2022

2022

2023

2023

Present Staff

Position

Breanna Sleightholm - 8.0 Years

Candice Chase - 7.0 Years

Germonde de Boer - 6.5 Years

Glennis Thomson - 17.5 Years

Nicole Tessier - 4.5 Years

Sarah Kirby - 6.5 Years

Stephanie Bakken - 5.5 Years

Tammy Bloom - 1.5 Years

Tim Goddard - 43.0 Years

Loans Officer I – Maternity Leave

Member Service Supervisor

Member Service Representative

Accounting Clerk

Loans Officer I – Contract Position

General Manager

Member Service Representative

MSR/Loan Clerk – Contract Position

Loans Officer III

Rockglen-Killdeer Credit Union Limited
73rd Annual General Meeting - April 19, 2021

Agenda

- A) Confirmation of a Quorum
- B) Call to Order
- C) Appointment of a Secretary
- D) Approval of the proposed Agenda
- E) Reading and approval of the April 20, 2020 Annual General Meeting Minutes - Page 3
- F) Business arising out of the Minutes

G) Reports

Board of Director's - Page 5	Darlene Loucks
Credit Committee - Page 8	Marv Bakke
Nomination Committee - Page 9	Tasha Pituley
Management Discussion & Analysis - Page 10	Sarah Kirby
Auditor's	Sarah Kirby
Financial	Sarah Kirby
Apportionment of Surplus/(Loss) - Page 32	Sarah Kirby

- H) Adoption of Reports Presented
- I) Appointment of Auditor - Virtus Group LLP
- J) Other Business

Articles & Bylaws

Presentation and Recognition of Directors and Staff

Questions and/or Comments

Door Prizes

- K) Adjourn

Rockglen-Killdeer Credit Union Limited
72nd Annual General Meeting - April 20, 2020
Rockglen Community Hall
Virtual Meeting Due to COVID-19

Tyler Remou   called the meeting to order at 7:33 p.m. A quorum of members who are entitled to vote was present or online for the virtual meeting. Candice Chase was appointed as secretary.

Marvin Bakke, Stephanie Bakken: To approve the proposed agenda.

Carried

Chad McGonigal, Tim Goddard: That the minutes from the April 15, 2019 Annual General Meeting be accepted as read.

Carried

There was no business arising from the minutes.

Two positions were open on the Rockglen-Killdeer Credit Union Limited Board of Directors. Elected by acclamation are Darlene Loucks and Shawn Mulvena each to 3 year terms.

Chad McGonigal, Nicole Tessier: That all reports be accepted as presented.

Carried

Candice Chase, Chad McGonigal: That the audit firm of Virtus Group LLP, Chartered Accountants are appointed as our auditors for 2020.

Carried

Board of Director and/or Committee Member Recognition:

Wendy Spagrud	3 Year Long Term Service Award
Darlene Loucks	5 Year Pin
Eric Lamontagne	10 Year Pin & Crystal Award
Marilyn Thomas	18 Year Long Term Service Award
Marvin Bakke	18 Year Long Term Service Award

Staff Member Recognition

Sarah Kirby

5 Year Pin & Long Term Service Award

Germonde de Boer

5 Year Pin & Long Term Service Award

Due to hosing the AGM virtually, we elected to post pone *Credit Union Door Prizes* until Credit Union Day in October.

Stephanie Bakken: That the meeting adjourn at 8:03 p.m.

Board of Director's Report

People

As of December 31, 2020 we saw a slight decline in memberships going from 1,212 to 1,183. Even though our membership shares decreased, we still saw a strong demand for services at our Credit Union.

Educating our staff and directors is always important for new products and operational efficiencies. A budget of \$17,100 has been allocated for training so that our staff and directors stay current to the changing markets and to ensure we are serving our membership to the best of our abilities!

We had a few office shuffles to staff positions last year, however there were no changes to the people filling those positions! In November, we anticipated a return to full staff, when a new unexpected injury happened and we again had to move a few staff around to adjust to this short term vacancy. Our thanks to the front-line staff for covering two positions at times to ensure everything got done through the year. We know that unforeseen circumstances can pop up and we appreciate the continued flow of service to the membership!

Money

2020 was a year like no other! Member loans grew by 7.0% and member deposits grew by 17%. When COVID-19 caused Saskatchewan to declare a state of emergency, the province shut down. Along with this shut down, came an increase in deposits at the Credit Union as members had to cancel travel plans, sports tournaments and overall consumer spending was greatly reduced. Our area also experienced an average crop year with good quality crops. We had a very dry fall and we hope for rain in the spring to give the crops a good start for 2021. As of February 2021 we are showing an operating profit of \$9,150 which is \$5,750 behind from last year. We anticipate having a less profitable year in 2021 due to the low interest rate environment.

Key Credit Union Deposit Guarantee Corporation Ratios;

	Standard	Dec 2020	Dec 2019
Eligible Capital/Risk Weighted Assets	>8.00%	17.70%	19.03%
Leverage Ratio (Capital)	>5.00%	9.70%	11.08%
Return on Assets after Tax	>0.50%	0.31%	0.91%
Operating Efficiency	<80.0%	85.73%	67.95%
Net Performing Loans/Assets	<80.0%	65.52%	70.59%

We continue to have a strong capital position at 17.70% when compared to the system average of 14.88%. Our policy for Return on Assets is 0.25% - 1.25%; the 0.95% drop in prime rate had an immediate impact to our loan revenues and Credit Union investment revenues. Our operating efficiency increased due to a narrower profit margin as our operating expenses saw an increase. This ratio can change quickly from one quarter to another. While our Net Performing Loans have declined from 70.6% to 65.52% we are still within our policy of 60%-80%. The dramatic increase in our member deposits has had a large impact on reducing our Loan to Asset ratio.

Our 2021 Business Goals and Targets;

	2021 Target	Dec 2020	Dec 2019
Assets (millions)	\$50.5	\$47.8	\$41.4
Performing Member Loans (millions)	\$32.2	\$31.3	\$29.3
Loan Delinquency >90 Days	<3.00%	0.49%	0.82%
Member Deposits (millions)	\$44.1	\$42.7	\$36.7
Leverage Ratio (Capital)	9.78%	9.70%	11.08%
Return on Assets after Tax	0.23%	0.31%	1.91%

Increasing our member deposits in 2019 & 2020 has increased the interest expense that we pay to our members. Had our loan growth matched our deposit growth we would have budgeted a higher return for 2021. A return of 0.23% was budgeted as we are experiencing a very competitive loan interest rate environment, which is making it difficult to grow our loan portfolio.

Development

In April of 2020 we successfully transferred our Tax Free Savings Accounts (TFSA's) from Concentra Bank to our Credit Union. In December 2019 we had approximately \$254,000 in TFSA investments; as of February 2021 we have already grown these investments to \$586,000. These accounts are a great way to save money for anything, such as a camper, house, or for retirement. Please contact Candice for more information on setting up a TFSA.

From March to November, our Credit Union Staff worked on building a new website as part of our migration from MemberDirect online banking to Forge. This includes a new website platform that allows the Credit Union to build and maintain their own website. Some Credit Unions hired a third party to build their new website, but we were fortunate that Candice, Sarah & Glennis were able to complete this project for us, which was a large cost savings for the Credit Union.

We don't have an exact time-line for MemberDirect being sunset; this is dependant on when our Credit Union is scheduled to convert to the new online banking platform with Forge. We hope this will be in late 2021 or early 2022.

In the summer of 2020 we held a Strategic Planning session with a SaskCentral consultant to assess the risks and opportunities that our Credit Union could face in the upcoming years. These planning sessions are one of the many tools that are used to proactively assess upcoming changes to our business environment as well as provide solutions on how to address upcoming possible uncertainties.

There continues to be more mergers or "partnerships" in the Credit Union system, however at Rockglen-Killdeer Credit Union, our desire is to remain autonomous. We continue to listen to our members and make decisions based on their needs and what they want to see from their Credit Union. As we remain financially strong and are able to successfully serve our Community and local area; autonomy will be our path for the future. Our Credit Union is monitoring the availability of services that are required for us to remain compliant with regulations, while staying competitive with the services we offer. We will continue to act on what the Board and Management feel is best for Rockglen-Killdeer Credit Unions' future.

Closing

Our Credit Union Vision and Mission Statements, Core Values, Strategic Planning and our Staff Performance Management plans speak about Community. We continue to support our Communities with many promotional items donated and, when possible, cash donations.

Each year that we are profitable, we will add 2.5% of our pre-tax profit to our Community Donation account. Our largest donation that has ever been made, was awarded to the Rockglen Community Rinks Ice Plant Project. We believe in investing in our Community's future and are very excited to be part of this project that will provide recreational entertainment for many years to come. Requests for funding can be brought to the Credit Union and will be reviewed by the General Manager &/or Board of Directors. Supporting our Community through donations has always been a priority of the Credit Union and we will continue to do so when we are financially able.

On behalf of the Board of Directors and Staff, I would like to thank our Members for your continued support. We look forward to continually growing the strength of the Rockglen-Killdeer Credit Union now and into the future. Please do not hesitate to contact any Board or Staff member if you have any questions, suggestions or comments.

Respectfully

Darlene Loucks, President

Credit Committee Report

In 2020 our loan delinquency decreased to 0.49% as of December 31st, 2020; an improvement from 2019 where we were at 0.82% for delinquency greater than 90 days. Total Impaired Loans identified as a possible future loss, did increase in 2020, but is still manageable. We had \$37,648 in written off loans in 2020, as delinquency can sometimes lead to a loss. Although we don't want to see loan write offs, it is an unfortunate part of being in the business of lending money. Thank You to our Membership and our Lending Staff for their continuing reliability as our last previous write off was in 2014.

This table shows the loans reviewed by Management and Credit Committee in 2020 and 2019.

	2020	2019
Approved	\$11,649,121.	\$9,549,779.
Amended	\$1,002,785.	\$947,388.
Deferrals (COVID-19)	\$168,999	\$0
Declined	13	2

This table shows the loan portfolio mix at year end for 2020 and 2019.

	2020	2019
Consumer Loans	14%	15%
Agricultural Loans	64%	72%
Commercial Loans	4%	5%
Syndicated Loans & Leases	18%	8%

In order to maintain a stronger Loan to Asset ratio, we purchased a few larger lease pools from Calidon Equipment Leasing, whom we already have a relationship with. Many Credit Unions have had less loan demand from their membership, which has encouraged us to seek loans from other sources. While we would prefer to lend this money to our members as it is more profitable, we are still willing to pursue leases to maintain our bottom line. If you are considering leasing something, please tell them you would like Rockglen-Killdeer Credit Union to finance your lease. RKCU currently has \$5,171,991 in leases, increasing from the \$2,163,907 in 2019.

As part of your insurance coverage, we remind you to assign your insurance to the Credit Union for all assets pledged as security on a loan. This can include your house, outbuildings, bins, equipment and cattle. Thank You.

Respectfully
Marv Bakke, Chairperson

Nomination Committee Report

The Nomination Committee's goal is to find an equal number of candidates as there are open positions. The Open Nomination period is available for additional nominations for a duration of 15 days. For the 2021 Board of Director election there are four positions open, three are for three year terms and one for a two year term.

The Committee contacted the two directors who were eligible to run for another three or two year term; one agreed to let their name stand for another three-year term and the other agreed to run for the remaining two year term. Two directors, Marv Bakke & Tyler Remoué reached a maximum of three consecutive, three year terms (9 years) and therefore cannot serve as a director for a minimum of one year. Thank you Marv & Tyler for your years of service! The Committee was able to fill the remaining two vacant positions during the Open Nomination Period. The following nominees will be elected by acclamation if no other names are brought forward.

Chad McGonigal	3 Years	Larry Weisgerber	3 Years
Laurie Disney	2 Years	Lee Smith	3 Years

Respectfully
Tasha Pituley, Chairperson

The qualifications of a director are as follows.

- Must be an individual with capacity, 18 years of age or older & not an immediate family member of staff
- Must not be an undischarged bankrupt & must remain, eligible for fidelity bonding
- Must not have been convicted of an indictable offence pursuant to the Criminal Code within the last five years other than a criminal offence mentioned above
- Must not have been convicted of an offence under The Credit Union Act, 1998 and sentenced to a term of imprisonment within the last five years, or if not within the five years and the individual was not sentenced to a term of imprisonment; or it has been more than five years since the completion of any term of imprisonment imposed as a result of a conviction for an offence under the Act
- Must comply with constraints on investment share ownership per Div 6, Part X of the Act, if applicable
- Must not be a professional adviser to the credit union or an employee of the credit union or of CUDGC
- Must conduct a significant portion of their financial business with the credit union in order to demonstrate confidence in the credit union
- Must not be involved in legal proceedings against the credit union in the previous 5 years
- Must not be involved as an individual, owner, partner or official of a company that is party to a legal action against the credit union or a legal action brought by the credit union
- Must not have loans in arrears more than 60 days with the credit union in the previous 2 years or have any Judgment registered against them
- Must not be a director or employee of a business selling competitive products or services except as a representative of the credit union

Management Discussion and Analysis

Vision

Collaborative effort to build a more economically viable community while providing an enriched financial experience.

Reviewed October 2017

Mission

The Rockglen-Killdeer Credit Union is to enhance the social and economic health of the communities it serves.

The Rockglen-Killdeer Credit Union provides access globally through a fine selection of quality financial products and services based on the values of honesty and integrity.

By demonstrating confidentiality and professional ethics, the Rockglen-Killdeer Credit Union builds the trust of its members.

The Rockglen-Killdeer Credit Union recognizes the need for ongoing education of staff and directors to identify and adapt to changing environments.

The Rockglen-Killdeer Credit Union remains financially stable with local control, identity and co-operative principles.

Reviewed October 2017

Core Values

Financial Performance/Productivity: We are a financially sound co-operative. Our flexibility enables us to deal with change ensuring long-term prosperity and stability.

Word-Class Service: Through training and education we develop attentive, well-informed, knowledgeable staff and management who, in a changing environment, provide an enriched financial experience to our members.

Co-operative Principles and Philosophy: Founded by co-operative principles, we are supportive and responsive to the needs of our communities.

Autonomy: Through the use of alliances and alternate service delivery we are committed to sustaining an independent, locally owned co-operative.

Professional Ethics/Integrity: Through confidential, professional, accurate and attentive service, we build the trust of our members.

Communication: By encouraging open communication, we inform and motivate membership, staff, management and directors. This creates harmony and cooperation within the Credit Union.

Training and Learning: We provide directors, employees, and members with learning opportunities to be part of a changing environment

Reviewed October 2017

Credit Union Market Code

The Market Code is a guideline and commitment that credit unions agree to follow. Also known as a “code of practice” it typically outlines standards that members can expect when dealing with the credit union. The Market Code is about consumer protection and it includes a provision for handling of complaints.

The credit union and its employees have always been committed to delivering a high quality of service to members and customers. The Market Code that follows builds on this commitment. This Market Code identifies the market practice standards and how the credit union subscribes to the standards.

The Market Code represents the standards the credit union embraces as an organization, the way the credit union conducts itself and how it will continue to treat existing and potential members and customers as it works to maintain the member’s trust, while living out our co-operative values.

The credit union subscribes to the co-operative principles as endorsed by the International Co-operative Alliance and the international credit union operating principles as endorsed by the World Council of Credit Unions. The credit union is member-owned and democratically controlled. The goal is to provide a measurable economic and social benefit to members and communities by incorporating the following values in all that it does:

- **Co-operation and Accountability** – Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. Co-operatives work together through a belief that we can accomplish more together than alone. The credit union takes into account the effect of its actions on others. In the tradition of our founders, co-operative*

members believe in the ethical values of honesty, openness, social responsibility and caring for others.

- **Communication** –The credit union communicates in an open, effective and timely manner.
- **Community Impact** –The credit union actively supports the development of communities locally, provincially and beyond. Communities are stronger because of the credit union system.
- **Employee Satisfaction** –The credit union respects its employees and their contribution to its success. The credit union encourages employee involvement and participation. It recognizes and rewards them for their creativity, teamwork and achievement. The credit union supports employee development by providing training and educational opportunities. The credit union respects its employees' need to balance personal and professional lives.
- **Financial Strength** –The credit union's strong financial performance allows it to invest in its members and the community for future growth. It balances the need for financial results with the needs of members and communities. The trust and confidence of members is maintained through sound business practice.
- **Product and Service Excellence** –The credit union works with members and communities to understand their needs, and respond with innovative, high quality products and services. Credit union employees provide friendly, knowledgeable and helpful service.
- **Professional Conduct** – Members' financial affairs are conducted with integrity and in a professional manner. The credit union ethical principles are rooted in concern for the individual. Confidentiality is integral to the way the credit union does business.

Market Code is reviewed by all staff and directors on an annual basis. The last major changes to Market Code were made January 1, 2014.

Training is an annual requirement for all employees of the Credit Union, as well it is written into job profiles. It is also part of the new staff orientation process where all new staff must read the Code of Conduct and all related Market Code Policies and Procedures. Training for existing staff this year was to read the Code of Conduct and review the Market Code Policies and Procedures. A sign off sheet documents completion of this and is held at the Credit Union to confirm completion.

Version – December 2013

Co-operative Principles

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

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

Democratic Member Control: Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organized in a democratic manner.

Member Economic Participation: Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

Autonomy and Independence: Co-operatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

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

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

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

Adopted by the International Co-operative Alliance in 1995

Introduction

Rockglen-Killdeer Credit Union is an independent Saskatchewan credit union owned by our members. Under the current credit union legislation, Rockglen-Killdeer Credit Union is able to provide financial services to members and non-members. As at December 31, 2020 Rockglen-Killdeer Credit Union had 1,183 members and no non-members. Non-members do not participate in the democratic processes of the credit union.

Our credit union serves the communities of Rockglen and area through our one location. We provide a range of financial services including lending/lease services for agricultural, commercial and consumer purposes. We also provide deposit services such as chequing and savings accounts, term deposits and registered plans. Transactions can be processed through our deposit accounts by payment and debit cards, cheques, electronic debits/credits, through internet banking, e-transfers, ATM withdrawals and over the counter.

Strategy

The vision of Rockglen-Killdeer Credit Union is a “Collaborative effort to build a more economically viable community while providing an enriched financial experience”. We develop Strategic & Business Plans to monitor specific objectives throughout the year that support this vision. Individual staff performance management plans are utilized to achieve our objectives. Regular updates to the Strategic and Business Plan are used to measure and monitor our progress toward achieving our objectives. We recently completed our new Strategic Plans which reaffirms our desire to remain as an independent, autonomous credit union, however we will continue to monitor our surrounding market and stay abreast of future opportunities and risks.

Our strategic key focus areas & preliminary strategies for 2021-2023 are listed below.

People & Community

- We are a caring organization that operates according to our vision, mission and values. We ensure our people (Board, management and staff) have the tools and education necessary to adapt to the changing environment and provide a truly positive member experience.
- Promote community involvement and stimulate member awareness so as to be recognized as a contributor to the communities we serve.
- Ensure our people (Board, management, and staff) have the skills and competencies to execute our strategies.
- Ensure we equip our people with the tools and training they require.

Financial	<ul style="list-style-type: none"> • Balance the need for achieving sufficient profitability to ensure our long-term sustainability while delivering an enriched financial experience for our members and building an economically viable community. • We will achieve sufficient financial strength (profitability, capital, liquidity) to achieve our strategies and deliver an outstanding member experience. • Achieve operational results that will meet or exceed standards. • Pretax profit of $\geq 0.25\%$ of average assets after loan allowances and/or foreclosed property expenses. • Ensure delinquency ≥ 90 days is 3% or less on December 31st. • Achieve annualized loan growth each year according to budget. • Achieve annualized deposit growth each year according to budget. • Maintain growth of loans & leases from 60% to $\leq 80\%$ of assets. • Grow capital.
Internal Business Processes	<ul style="list-style-type: none"> • Ensure we maintain the organizational structure best suited to providing our members and community with local decision making, ongoing financial investment, and an enhanced member experience into the future. We have no appetite to merge with a large credit union. However, we have no desire to miss opportunities to partner with other credit unions and adapt our organizational model (as required) if it is in the best long-term interest of our members and community. • Ensure we have the technology and processes in place to support our people and enable them to deliver an outstanding member experience in our communities. • Ensure we maintain compliance with evolving regulatory standards and guidelines in line with our risk appetite. • Understand the range of credit union model options available to us. • Enhance our governance, risk management and compliance frameworks.
Member Experience	<ul style="list-style-type: none"> • Create a positive financial experience for our members by demonstrating we understand their needs and proactively provide solutions best fitted to meeting these needs. • Promote new and existing products and services that support and enhance our member experience. • Clearly define what the optimal member experience looks like • Educate members on Credit Union products/services

Enterprise Risk Management

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 or ERM for short, and is a requirement of credit unions in Saskatchewan as laid out by Credit Union Deposit Guarantee Corporation.

Through our 2020 Strategic Planning session and through the course of each year, risks are identified, measured and discussed regularly during board and committee meetings. These risks are rated from Low, Modest, Moderate and High ratings depending on the severity of the risk.

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, products becoming obsolete 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.

Management identified four Strategic Risks related to:

- Moderate Risk - Desire to remain an autonomous Credit Union may no longer be a viable strategy
- Moderate Risk - Inability to successfully attract and retain qualified Board members increases regulatory scrutiny and threatens our autonomy
- Moderate Risk - Risk the Board does not have sufficient formal governance training resulting in increased attention from the provincial regulator
- Modest Risk - Lack of clarity around IT governance of IT and cyber security risks prevents us from properly understanding and managing these risks resulting in increased regulatory scrutiny

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 changes in interest rate or foreign exchange.

No items are identified as Market Risk.

Liquidity Risk

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

Managing liquidity is a fundamental component of RKCUC's sound financial management practices. On and off-balance sheet assets and liabilities must be managed to ensure that cash inflows have an appropriate relationship to approaching cash outflows. Funding requirement analysis reveals that a loan to asset ratio in a range of 60% to 80%, diligent management of liquid assets to ensure an appropriate response to the potential of a liquidity event and taking all opportunities to achieve a reasonable return on assets within the risk profile of the credit union will contribute to RKCUC's long term financial viability and prosperity.

New liquidity risk management principles (13 key principles), liquidity monitoring tools, quarterly reporting requirements, and the new regulatory Liquidity Coverage Ratio (LCR) came into effect in 2017. It is the Board and management's responsibility to ensure RKCUC's Liquidity Management Plan utilizes the 13 liquidity principles to assess current gaps and adhere to the risk tolerances set within its liquidity management framework. Risk tolerances are still under development with this new reporting requirement.

RKCUC's liquidity requirements will be met primarily through the growth of member deposits. If member deposit growth is not adequate to sustain the demands of the liquidity requirements, RKCUC will utilize its line of credit loan as a fall back for predominantly short term liquidity requirements.

The liquidity management practices currently in place have proven to be adequate for the operations of our Credit Union. Maintaining a loan-to-asset ratio in a comfortable target range will enable active management of liquidity. If loan growth significantly outpaces deposit growth management will enact the strategies outlined in the Liquidity Plan. A key element of the credit union's liquidity management will be to ensure HQLA are strategically invested to optimize the liquidity position of the credit union. As of December 31, 2020 our Liquidity Coverage Ratio was 943%, well above the minimum requirement of 100%.

No items are identified as Liquidity Risk.

Credit Risk

Credit risk is the risk of loss arising from a borrower or counterparty's inability to meet its obligations. Credit risk comes primarily from our direct lending activities and to a lesser extent from lease financing, syndicated loans, loan pools and investments.

One item is identified as a Moderate rated Credit Risk.

- Risk the credit union incurs significant losses on its local commercial credit portfolio resulting in decreased profitability and capital strength.

Legal & 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.

One item was identified as a Low rated Legal and Regulatory Risk.

- Risk RKCUC is not in compliance with CUDGC standards of sound business practice increases regulatory scrutiny. For example, updating policy guidelines.

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.

Five items were identified as Operational Risk; three Moderate, one Modest & one Low

- Moderate Risk - Inability to successfully transition the senior lender role negatively impacts member experience and profitability
- Moderate Risk – Compressed interest margins and inability to control operating costs inhibits our ability to achieve profitability targets
- Moderate Risk – Inability to generate profitable balance sheet growth (loans & deposits) inhibits our ability to achieve sufficient profitability
- Modest Risk - Inability to attract and retain qualified people threatens our ability to remain as an autonomous credit union
- Low Risk - Inability to successfully implement Forge digital banking platform inhibits our ability to deliver desired member experience.

Information & Technology Risk

Informational and technology risk is the risk of inadequate or the inability to assess and respond to new and emerging technology trends and/or fraud.

No items are identified as Information & Technology Risk.

Insurance Risk

Insurance risk is the risk that inadequate insurance coverage is maintained for legal/liability coverages for credit unions assets, operations, directors, employees and/or members. The risk that there is inadequate insurance coverage in order to maintain/continue operations should a catastrophe strike.

No items are identified as Insurance Risk.

Residential Mortgage Risk

Mortgage Insurance (also known as mortgage guarantee and home-loan insurance) is an insurance policy which compensates lenders or investors for losses due to the default of a mortgage loan.

As we do not participate in an insured mortgage program, our policy requires a minimum 20-25% down payment for all residential properties at the time of purchase. In the event of an economic downturn, our Credit Union would be well secured regarding Residential Mortgage Risk as our down payment requirement would provide a buffer for a down turn in housing market values. Currently we do not offer Home Equity Lines of Credit which would further reduce our Residential Mortgage Risk.

As of December 31, 2020 our Non-Insured residential mortgages total \$3,246,950 or 10.5% of our total loan portfolio.

Capital Management

The Rockglen-Killdeer Credit Union has a comprehensive Capital Management Plan to assess capital adequacy for current and future operations. Our target for capital to risk weighted assets is 14.63%; at the end of 2020 our capital to risk-weighted asset ratio was above target at 17.70%.

Failure to meet the Credit Union Deposit Guarantee (CUDGC) current standard of 8% capital for risk-weighted assets would result in intervention by CUDGC.

Regulatory Matters

No additional matters to be disclosed at this time.

Corporate Structure and Governance

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

Board of Directors

Mandate & Responsibilities

The board is responsible for the strategic oversight, business direction and supervision of management of Rockglen-Killdeer 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.

Board Composition

The board is composed of 7 individuals elected on an "at large" basis by members. Terms are for 3 years and tenure is limited to 9 years (3 terms). Nominations are made by filing a nomination paper during the allotted time period prior to the annual meeting or by nominations made by the Nomination Committee. Voting is by paper ballot, done in-branch, and the election results are announced at RKCUC's annual general meeting.

<u>Directors</u>	<u>Term Expiry</u>	<u>Board Meeting Attendance</u>
Tyler Remoué – 9 Years	2021	91%
Chad McGonigal – 15 Years	2021	*64%
Marvin Bakke– 19 Years	2021	100%
Wendy Spagrud – 4 Years	2022	100%
Tasha Pituley – 6 Years	2022	100%
Darlene Loucks – 6 Years	2023	91%
Laurie Disney – .5 Years	2023	75%

Compensation and Attendance

The Board of Directors and Committee Members are compensated for meeting attendance, travel, meals and out of pocket expenses related to the business of the Credit Union. In 2020 total remuneration and travel expenses paid to directors for meeting and training attendance was \$15,251.98. The Budget for 2020 was \$21,000.

Board/Committee compensation is reviewed approximately once every three years with management gathering board/committee compensation data from like-sized credit unions and sharing that information with the Board of Directors. This review was last conducted in 2019.

All directors are required to attend at least 75% of board meetings annually. Our 2020 average board attendance was excellent at 88%. *Exceptions have been made for board members when their day job takes them away for an extended period, for health reasons and for holidays.

Director Training in 2020

- HR Governance
- Board Performance, Development & Evaluation
- Market Code, Privacy Act, Code of Conduct & Anti Money Laundering Annual Reviews & Updates

Board and Committee Evaluation

In June 2019 the board approved a Board Assessment Survey to assist in evaluating board performance and board committees. The first assessment was completed and reviewed in April 2020.

Executive Management

Sarah Kirby - General Manager

Committees

Rockglen-Killdeer Credit Union maintains a number of committees. These are our current Board appointed committees;

- Executive
- Audit & Risk
- Conduct Review
- Nomination
- Credit

Purpose of the Executive Committee

- Darlene Loucks (Chairperson), Tyler Remoué & Sarah Kirby

To act in the capacity of and on behalf of the Board of Directors between regular or special Board meetings on all Board matters except those which the Board may not, in compliance with legislative requirements, delegate. The Executive Committee is comprised of the President, the Vice-President, and the General Manager as the recording Secretary. The Executive Committee met once in 2020.

Purpose of the Audit and Risk Committee

- Board of Directors

The purpose of the Audit and Risk 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. The Board of Directors will act as the Audit and Risk Committee. The Chairperson will be the Vice-President of the Board. No employee of the credit union may sit on the Audit and Risk Committee. The Audit & Risk Committee met 6 times in 2020.

Purpose of the Conduct Review Committee

- Wendy Spagrud (Chairperson), Marv Bakke & Chad McGonigal

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 judgment 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 through regular credit granting authority, policies and procedures. The Committee is comprised of three directors appointed by the Board with all remaining directors as alternates to the committee. The Board will appoint a Chairperson. The Conduct Review Committee met 2 times in 2020.

Purpose of the Nomination Committee

- Tasha Pituley (Chairperson), & Wendy Spagrud

To oversee the nomination and election processes for elections of credit union directors. The Committee will consist of at least three members selected by the Board, one of whom should be a director who is not a candidate for re-election. The President is an ex-officio member of the Committee. The General Manager may act as staff resource to the committee. The Chairperson of the Committee will be a member serving on the Committee, as selected by the group. The Nomination Committee met once in 2020.

Purpose of the Credit Committee

- Marv Bakke (Chairperson), Chad McGonigal, Darlene Loucks, Tyler Remoué, & Marilyn Thomas (Non-Board)

The Credit Committee's purpose is to analyze and make decisions on credit applications within the provisions of policy and legislation and to recommend credit policies. The Credit Committee will consist of not less than three directors named by the Board, and no more than two bondable members of the credit union who would be qualified for election to the Board and whose skills include sound credit judgment. The Chair of the Committee will be appointed by the Board. An alternate to the chair can be any Committee Member as agreed to by those present. A quorum of the Committee will not be less than three members. If a quorum of appointed members is not available, any Director or the General Manager may be added to form a quorum of three members. The Credit Committee met 10 times in 2020.

Corporate Social Responsibility

Rockglen-Killdeer Credit Union is known for the contributions we make to the communities we serve. We do this in a variety of ways including our support and encouragement of staff to volunteer their personal time and within reason, the use of Credit Union resources as needed. We donate Credit Union promotional items to assist clubs and organizations to raise money to support their activities, many of which further support our communities. In 2018 we approved a new policy to contribute 2.5% of pre-tax earnings to a Community Donation Fund. This will allow us to contribute to a reserve of funds for cash donations when our profitability permits us to do so.

The following is a summary of our community support in 2020. Due to COVID-19 many of our local fundraisers were cancelled. We hope that more community events will be happening in 2021!

Alice Grace Down Syndrome Golf Tournament
Borderland Music Festival
Community Calendar
Fife Lake Telemiracle Auction
Graduate Post-Secondary Awards
Newborn Baby Memberships
Rockglen & District Tourism
Rockglen Bowling Alley
Rockglen Community Rinks
Rockglen Curling Club

Rockglen Minor Hockey
Rockglen Playschool
Rockglen Skating Club
Rolling Hills Lodge
Saskatchewan Young Leaders
School/Community Newsletter
Station Spin Studio - Telemiracle
Wood Mountain Regional Park

Respectfully
Sarah Kirby, General Manager

ROCKGLEN-KILLDEER CREDIT UNION LIMITED

**INDEPENDENT AUDITORS' REPORT AND
SUMMARY FINANCIAL STATEMENTS**

DECEMBER 31, 2020

MANAGEMENT'S RESPONSIBILITY COMMUNICATION

To the Members,

Rockglen-Killdeer Credit Union Limited

Management is responsible for preparing the accompanying summary financial statements and is responsible for their integrity and objectivity. The basis of presentation adopted is not in conformity with International Financial Reporting Standards in that the financial statements do not contain all the required disclosures. The basis of presentation is considered by management to be most appropriate for the broad communication of financial information to members, however, readers are cautioned that these statements may not be appropriate for their specific purposes.

Complete financial statements are available upon request.



President



General Manager



**VIRTUS
GROUP**
Chartered Professional Accountants
& Business Advisors LLP

INDEPENDENT AUDITORS' REPORT ON THE SUMMARY FINANCIAL STATEMENTS

To the Members,
Rockglen-Killdeer Credit Union Limited

Opinion

The summary financial statements, which comprise the summary statement of financial position as at December 31, 2020, the summary statements of changes of members equity, comprehensive income, and cash flows for the year then ended, and related notes, are derived from the audited financial statements of **Rockglen-Killdeer Credit Union Limited** for the year ended December 31, 2020.

In our opinion, the accompanying summary financial statements are a fair summary of the audited financial statements, which were prepared in accordance with International Financial Reporting Standards.

Summary Financial Statements

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

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated February 24, 2021.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements based on the audited financial statements prepared in accordance with International Financial Reporting Standards.

Auditor's Responsibility

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

February 24, 2021
Regina, Saskatchewan

VIRTUS GROUP LLP


Chartered Professional Accountants


ROCKGLEN-KILLDEER CREDIT UNION LIMITED
SUMMARY STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020
(with comparative figures for 2019)

ASSETS		
	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 7,385,085	\$ 6,882,380
Investments	8,569,468	4,685,227
Loans receivable	31,633,268	29,673,882
Other assets	18,428	19,448
Property and equipment	180,265	185,440
	<u>\$ 47,786,514</u>	<u>\$ 41,446,377</u>
LIABILITIES		
Deposits	\$ 42,962,425	\$ 36,741,041
Other liabilities	123,387	132,970
Shares	5,915	6,060
	<u>43,091,727</u>	<u>36,880,071</u>
MEMBERS' EQUITY		
Equity accounts	190,363	207,486
Retained earnings	4,504,424	4,358,820
Accumulated other comprehensive income	-	-
	<u>4,694,787</u>	<u>4,566,306</u>
	<u>\$ 47,786,514</u>	<u>\$ 41,446,377</u>

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

APPROVED BY THE BOARD:

 Director

 Director

ROCKGLEN-KILLDEER CREDIT UNION LIMITED
SUMMARY STATEMENT OF CHANGES IN MEMBERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020
(with comparative figures for the year ended December 31, 2019)

	<u>2020</u>	<u>2019</u>
EQUITY ACCOUNTS		
Equity accounts - beginning of year	\$ 207,486	\$ 258,804
Decrease in member equity accounts	<u>(17,123)</u>	<u>(51,318)</u>
Equity accounts - end of year	<u>\$ 190,363</u>	<u>\$ 207,486</u>
RETAINED EARNINGS		
Retained earnings - beginning of year	\$ 4,358,820	\$ 3,981,903
Net income	<u>145,604</u>	<u>376,917</u>
Retained earnings - end of year	<u>\$ 4,504,424</u>	<u>\$ 4,358,820</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>\$ 4,694,787</u></u>	<u><u>\$ 4,566,306</u></u>

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

ROCKGLEN-KILLDEER CREDIT UNION LIMITED
SUMMARY STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020
(with comparative figures for the year ended December 31, 2019)

	<u>2020</u>	<u>2019</u>
Interest revenue		
Loan	\$ 1,550,278	\$ 1,705,789
Investment	195,891	213,148
	<u>1,746,169</u>	<u>1,918,937</u>
Interest expense		
Borrowed money	418	831
Member deposits	462,532	429,191
	<u>462,950</u>	<u>430,022</u>
Net interest	1,283,219	1,488,915
Provision for credit losses	<u>74,937</u>	<u>87,613</u>
Net interest after provision for credit losses	<u>1,208,282</u>	<u>1,401,302</u>
Other income	<u>106,123</u>	<u>100,531</u>
Operating expenses		
General business	365,478	341,078
Occupancy	40,890	42,515
Organizational	24,284	31,962
Personnel	671,647	620,652
Security	51,042	44,724
	<u>1,153,341</u>	<u>1,080,931</u>
Income before income taxes	161,064	420,902
Income taxes		
Current	15,260	43,785
Deferred	200	200
	<u>15,460</u>	<u>43,985</u>
Net income before other comprehensive income	<u>145,604</u>	<u>376,917</u>
Other comprehensive income (loss)	<u>-</u>	<u>-</u>
Total comprehensive income	<u>\$ 145,604</u>	<u>\$ 376,917</u>

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

ROCKGLEN-KILLDEER CREDIT UNION LIMITED
SUMMARY STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(with comparative figures for the year ended December 31, 2019)

	<u>2020</u>	<u>2019</u>
Cash provided by (used in) operating activities:		
Comprehensive income	\$ 145,604	\$ 376,917
Items not involving cash:		
- Amortization	35,174	27,682
- Provision for credit losses	74,937	87,613
Equity patronage allocation	(17,123)	(51,318)
Net change in other assets and other liabilities	(8,563)	(59,452)
	<u>230,029</u>	<u>381,442</u>
Cash provided by (used in) investing activities:		
Investments	(3,884,241)	142,039
Loans receivable	(2,034,323)	(1,149,510)
Property and equipment	(29,999)	(70,664)
	<u>(5,948,563)</u>	<u>(1,078,135)</u>
Cash provided by (used in) financing activities:		
Deposits	6,221,384	2,991,363
Shares	(145)	(295)
	<u>6,221,239</u>	<u>2,991,068</u>
Increase in cash	502,705	2,294,375
Cash position - beginning of year	<u>6,882,380</u>	<u>4,588,005</u>
Cash position - end of year	<u>\$ 7,385,085</u>	<u>\$ 6,882,380</u>

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

Apportionment of Comprehensive Income/(Loss) Report – 2020

Net Comprehensive Income/(Loss) before Corporate Income Tax	\$161,064.
Corporate Income Tax (12.5%)	\$15,460.
Net Comprehensive Income/(Loss)	\$145,604.

The net income of \$145,604 was transferred to Credit Union Reserves.



CREDIT UNION DEPOSIT GUARANTEE CORPORATION ANNUAL REPORT MESSAGE 2020

January 2021

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

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

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