



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.

Your Credit Union at a Glance

ASSETS	\$70,912,934
GROWTH	\$1,182,323
LOANS	\$42,326,179
DEPOSITS	\$62,436,684
MEMBERS	1113
NON-MEMBERS	11

Ever since Charter Number 115 was granted over 79 years ago, the Edam Credit Union has provided financial services to the community of Edam and surrounding area. We are a democratic organization and with membership comes the right to vote – one member, one vote in keeping with our co-operative structure. Each year at the Annual General Meeting, members elect directors to govern their credit union and represent their interests.

As our community evolves, so do the demographics of our credit union. In 2022 we welcomed 68 new members and closed 27 memberships for a new membership increase of 41.

BOARD of DIRECTORS

Responsibility: As a member of the board, a director is in a position of trust to ultimately ensure that the credit union is managed and operated in a sound and prudent manner.

Purpose of Position: As a member of the board, a director acts to establish meaningful strategic direction for the credit union that effectively serves the membership’s interests while promoting long-term growth and financial stability.

	Elected	Term Expires
Darcy deMontarnal	2017	2023
Ryan Roach (President)	2017	2023
Rob Goodall	2017	2023
Heidi Potter Jamieson	2018	2024
Larry McDaid (Vice President)	1974	2024
Taylor Baillargeon	2023	2024
John Grant	2016	2025
Blair St Amant	2019	2025
Shawn Blais	2019	2025

Who We Are
Real People Providing Real Service



Staff of the Edam Credit Union (Left - Right)

Back Row:

Edith Shewchuk, MSR, 2005; Lisa Pelchat, Finance and Compliance, 2008; Ross Houston, General Manager, 2013; Deanne Carmody, Loans Officer, 2021; Renee Thorne, MSR, 2023

Front Row:

Karman Pearson, MSR, 2023; Wanda Mosimann, Assistant Manager, 2002; Glenda Weber, Office Manager, 2002; Melodie Nedelec, Senior MSR, 2011

Missing:

Hannah Tataryn, Loans Officer, 2021 (currently on Maternity Leave)

What We Believe

OUR VISION

To provide members with excellent financial service

OUR MISSION

- To provide financial products and services that are delivered with the highest standard of excellence, integrity, and professionalism
- To remain a viable, member controlled financial institution dedicated to co-operative principles responsive to the social and economic needs of our members
- To develop the credit union and its services to meet the changing needs of our members and their communities

OUR ORGANIZATIONAL VALUES

Service and Product Excellence

Our credit union is committed to providing a broad range of quality products that best meet our members' needs. Our professionally trained employees provide courteous service and quality advice to each member.

Integrity, Honesty, Professional and Ethical Conduct

We earn the loyalty and trust of our members by dealing with them in an open, honest, and respectful manner. We utilize our strengths and treat our members and each other with respect and professionalism.

Co-operative Principles and Philosophy

We are a member-owned, democratically controlled organization that recognizes our community's diversity. We are responsive to the needs of our membership and are committed to our community.

Community Involvement and Impact

Our decisions have an impact on the well-being of our community and our membership. We present a positive image to the community by sponsoring community projects through the involvement of board and staff members.

Autonomy

We are committed to ensuring that the needs of our members and our community come first by retaining local decision making.

Financial Performance and Productivity

We are committed to achieving a stable and financially secure organization for the benefit and security of our membership in an ever-changing marketplace.

Employee Satisfaction

We respect our employees and their contribution to our success. Employee involvement and participation is recognized and rewarded. We support employee development by providing training and educational opportunities while respecting their need to balance personal and professional lives.

Respect for your Privacy

At the Edam Credit Union, we have always been committed to keeping our members' personal information accurate, confidential, secure, and private. The formal Privacy Code that we have adopted builds on this commitment. This code is based on the Credit Union Central of Canada Model Privacy Code and the Model Code for the Protection of Personal Information.

We continue to protect your privacy and your right to control the collection, use and disclosure of your personal information. We have procedures in place that guide our employees and directors in maintaining confidentiality. What has been our ongoing business practice has become our documented commitment to you.

Your credit union Board of Directors has adopted the Credit Union Code for the Protection of Personal Information, established related Policies and Procedures, and appointed a Privacy Officer. Our employees understand the importance of the policies and procedures and follow them carefully.

Code of Conduct

Principles of ethical conduct and responsible business behavior are reflected in our Code of Conduct. Adherence to this code is mandatory for all employees and directors.

Our Code of Conduct requires that we follow a Market Code which covers acceptable sales practices, employee qualifications and licensing, disclosure, privacy, and complaint resolution. Our Market Code is based on the model that was jointly developed by Saskatchewan credit unions, SaskCentral and the Credit Union Deposit Guarantee Corporation to ensure the protection of credit union members. Our employees, directors and service providers are obliged to act in accordance with the highest standards of personal and professional integrity. All of us at the Edam Credit Union have always been committed to delivering a high quality of service to members. The Market Code builds on this commitment.

The Market Code represents the standards that we embrace as an organization, the way we conduct ourselves and how we will continue to treat our existing and potential members as we work to maintain your trust, while living out our co-operative values.

We subscribe 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. We are member-owned and democratically controlled. Our goal is to provide a measurable economic and social benefit to members and communities by incorporating the following values in all that we do.

Our Co-operative Principles

- **Voluntary and Open Membership**
- **Democratic Member Control**
- **Member Economic Participation**
- **Autonomy and Independence**
- **Education, Training, and Information**
- **Co-operation among Co-operatives**
- **Concern for Community**

Why We're Different

Celebrate the value in the Credit Union difference. While that difference may mean different things to different people, **it always comes down to putting our members first!**

Local Ownership and control

- Each credit union is an autonomous separate entity, owned and controlled by local people.
- Each member owns one share and has one vote.
- Board members are locally elected by their members to provide strategic direction to their management teams.
- As independent financial institutions, owned and controlled by their members, credit unions are shaped by the needs of their community.

Community Investment

- Credit unions earnings stay in the community.
- Credit unions support local interests.
- Credit unions sponsor and support local initiatives.
- Credit unions remain part of the community where our member-owners live.
- Credit unions contribute to the local economy by providing employment. Just over 3,300 friendly, knowledgeable, and professional individuals are working in credit unions across our province, providing service at 235 locations to almost a half-million members.
- Credit union employees are active participants in the community.

Investing in OUR Community

Whether through a cash contribution, donations or door prizes or raffle prizes, free photocopies, technical help with the creation or printing of a program or poster, a drop off or pickup point, an activity coordinator, displaying raffle items and selling tickets, funding educational speakers, or lending a staff member to work at an event – **we're here for you!**

CONCERN FOR COMMUNITY is one of the seven co-operative principles: "While focusing on member needs, co-operatives work for the sustainable development of their communities through policies accepted by their members."

We believe in giving back to our community – listed below are some of the local organizations who received our support in 2022

- Donor's Choice
- Edam 3 Stars Senior Hockey
- Edam Community Recreation Centre
- Edam Fall Fair
- Edam Legion
- Edam Minor Hockey
- Edam Village Light 'Em Up 2022
- Edam Ladies Night
- Youth Travel Club
- Edam Senior Centre
- Camp Kindling Sponsorship
- H. Hardcastle School (various)
- Mervin Golf Club
- Mervin 4-H Club
- Edam West 4-H Club
- Vawn Recreation Board
- Edam Minor Ball
- Edam Fire Fighters
- Edam First Responders
- Edam Rec Board



Community and Sponsorship

We also support larger initiatives that benefit our members:

- Anti-Bullying Awareness
- Canadian Cancer Society
- Saskatchewan Co-operative Assoc.
- STARS

Your Credit Union & You - Building a Great Community



CREDIT UNIONS



Members Make It Happen

Members are the most important people in our business.

**Members are not dependent on us -
We are dependent on you.**

**Members are not an interruption of our work -
You are the purpose of it.**

**Members are part of our business, not outsiders -
You are our owners.**

**Members are not numbers -
You are real people with feelings.**

**Members bring us their wants and needs -
We know that it is our job to satisfy them.**

**Members have the right to be served with a professional
attitude.**

**Members deserve the most courteous and attentive
treatment we can provide.**

It's a Risky Business

Just like all financial institutions, Edam Credit Union is faced with a variety of business risks. Our continued viability depends on proper management of those risks. Our risk management strategy is threefold: to identify and assess these risks on an on-going basis; to evaluate the controls we have in place to minimize our exposure to risk; and to implement risk mitigation techniques as appropriate. This process is called Enterprise Risk Management.

What are these risks and how do we handle them?

Credit Risk - The risk of financial loss associated with a borrower failing to meet an obligation as agreed to is always present in lending activities, but to a lesser extent also exists in the investment portfolio. This risk is managed through a continual review of established underwriting practices for loans, the monitoring of delinquency levels and the establishment of an allowance when there is a reasonable doubt of the ability to collect a loan. Credit risk is further mitigated by obtaining quality collateral and seeking diversification in the loan portfolio through the syndication of loans and the purchase of lease portfolios.

In accordance with CUDGC guidelines, the Edam Credit Union is required to provide additional credit disclosure regarding its residential mortgage portfolio.

The Edam Credit Union is limited to providing residential mortgages of no more than 80% of the collateral value. Lending at a higher loan-to-value (LTV) is permitted but requires default insurance. The insurance is contractual coverage that protects the Edam Credit Unions real estate secured lending portfolio against potential losses caused by borrower default. Default insurance can be provided by either government backed entities or other approved private mortgage insurers. Currently we use Canada Mortgage and Housing Corporation (CMHC) to provide mortgage default insurance.

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

To determine the potential impact of an economic downturn, which may result in defaults and a decrease in housing prices, the Edam Credit Union does investigations into where the residential mortgage market is and observes trend analysis of the information. We do comparatives of this information on an ongoing basis plus do comparatives of residential appraisals and Saskatchewan Assessment Management Agency (SAMA) to determine the effect of an economic decline (or increase) from year to year and the effect on our collateral values.

Residential Mortgage Portfolio:

	2022	% of Portfolio
Insured	\$ 2,727,658	13%
Uninsured	\$17,964,124	87%
HELOC (home equity line of credit) \$	0	0%
Total	\$20,691,782	100%

Market and Interest Rate Risk - Changes in market factors such as interest rates, equity prices and credit spreads give rise to the risk of loss of value in a financial instrument. Our greatest exposure is to the interest rate risk created by timing differences between maturing or repricing investments and loans and maturing or repricing deposits.

Since we do not know what interest rates will be in the future, the risk of adverse impact to our earnings from market changes is managed by measuring and monitoring our mismatch between assets and liabilities to ensure that it does not become too large.

Liquidity Risk - In the normal course of our business there are a variety of day-to-day obligations to fund, such as commitments for approved loans, drawings on lines of credit and cash withdrawals. The inability to generate or obtain the necessary cash at a reasonable cost to meet these obligations in a timely manner is known as liquidity risk.

Policies and procedures have been established by the Edam Credit Union to monitor, measure, and control our exposure to liquidity risk. These include management of liquidity daily factoring in known and projected cash inflows and outflows, the requirement to maintain both sufficient liquid assets to meet normal operating requirements and excess liquid assets that can be converted to cash with minimal cost. Additionally, policies are in place to manage this risk at both the provincial and national credit union level.

We have prepared and implemented a Liquidity Management Plan to ensure the optimal level of liquidity is maintained to meet regulatory and operational needs. The objective of the Liquidity Coverage Ratio (LCR) is to ensure the Edam Credit Union has an adequate stock of unencumbered high quality liquid assets (HQLA) that consists of assets which can be converted into cash at little or no loss of value; and meeting its liquidity needs for a 30-calendar day stress scenario. We will maintain minimum liquidity coverage of 100% to ensure we always cover our obligations. As of December 31, 2022, Edam Credit Union had coverage of just under 397%.

Legal & Regulatory Risk - Like all Saskatchewan credit unions, we are regulated by the Credit Union Deposit Guarantee Corporation (CUDGC) and must comply with their Standards of Sound Business Practice as well as our own bylaws and policies and various provincial and federal legislation. We operate in a heavily regulated industry and of course there is a cost to implement the necessary regulatory and compliance regimes.

Compliance Officers are in place to ensure that laws, rules, regulations, and ethical standards are adhered to. Ongoing training and education of directors and employees stresses the importance of policies and procedures and the need to follow them carefully.

There are serious consequences to failing to understand and address this risk. Failure to comply with regulatory standards may result in CUDGC reducing or restricting a credit union's authorities and limits; subjecting a credit union to preventative intervention; issuing a compliance order; or placing a credit union under supervision or administration. Failure to comply with legislation may result in fines or imprisonment.

Strategic & Operational Risk - There are negative implications from failing to have appropriate strategies and business plans in place. Your board of directors is continually evaluating how to have your credit union continue to thrive. Exposure to operational risk includes ensuring that we have both sufficient qualified employees and the proper technology to provide our members with the quality financial service they expect and deserve. An on-going succession planning process and continual evaluation of information technology solutions are used to address the risk in these areas.

We have recognized that we must continually review and reassess our comprehensive risk management framework to guide your credit union into the future.

The direction chosen by the board of directors for your credit union was that we need to be researching opportunities that ensure long term sustainability of our credit union. We have identified that to maintain strong financial performance we need to be seeking opportunities to gain efficiencies to bring our membership the financial products and services that are competitive and relevant.

The resulting Strategic Plan is aligned to address areas where specific risks were identified. Operational costs continue to increase which causes our margins to erode and this trend presents the potential to reduce our capital adequacy position if we do not take a proactive approach.

An example of this is our desire to continue to increase the loan to asset ratio. Although this will generate additional profitability (and hence capital) over the long-term, continuing to increase the asset mix to include more loans, and less investment assets will have an immediate impact on risk weighted assets and the risk weighted capital adequacy ratio. The risk weighted assets will increase in advance of the additional capital that they will provide in the long term. The current business strategy is to try to keep our loan to asset ratio between 50% and 80% and we ended the year at 59.45%. This is an area that we will focus on to grow in in 2023.

Operational risk creates the potential 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, inadequate employee integrity or natural disasters.

This risk is managed using policies and procedures, controls, and monitoring. To minimize the risk from deficiencies in internal controls or failed internal processes, we utilize an annual independent audit of these internal control processes in addition to our annual external audit and regular Credit Union Deposit Guarantee Corporation examinations. Recommendations that result from any of these reviews may be implemented to strengthen our already sound practices and increase efficiencies.

Risk is managed through established policies, procedures, controls, and monitoring.

And Capital is King

Our regulator, the Credit Union Deposit Guarantee Corporation (CUDGC) prescribes capital adequacy measures and minimum capital requirements. We also have an internal capital adequacy assessment process (ICAAP) to determine and maintain the appropriate level of capital required to support operations, risk, and growth. Compliance with these requirements is critical.

As part of our capital management process, we closely monitor two important indicators of capital adequacy. One is overall capital as a percentage of total assets, and this ratio is referred to as the leverage ratio. In 2022 this ratio ended at 11.98%, well above the regulatory standard set by CUDGC of 5.00%.

The second ratio is that of capital to risk weighted assets. Each type of asset (which would include loans and investments) has been assigned a specific risk weighting by CUDGC. We are required to measure our capital level based on a calculation using these weightings and CUDGC has set the current required level (regulatory standard) at 10.50%, consistent with the industry standard. In 2022 this ratio ended at 25.79%, well above the regulatory standard.

You may wonder why our targets are higher than those required by the regulator. It is the responsibility of the board of directors of each credit union to evaluate their own situation and set limits that are appropriate for their operation. With us maintaining our loan portfolio our current loan to asset ratio is still below optimum, and our objective is to increase that ratio to further enhance profitability. Since loans carry a higher risk weighting than investments, more capital is required to support a future increase in loan volume even if our assets were to remain at a constant level. Our community is thriving and growing, we need to be well positioned to serve that growth.

Our continued attention to proper capital management over the years has ensured that your credit union has been able to grow and thrive. This strong capital base reduces the threat to our future viability from the risks outlined on the previous pages.

This stewardship has contributed to our ability to remain an autonomous entity with the financial strength to allow us to research our best future options as opposed to many credit unions that end up forced to merge to survive. Ensuring that the needs of our members and our community come first are important considerations as we consider our future.

Growing Our Future Together



79th ANNUAL GENERAL MEETING

WEDNESDAY, March 29, 2023

RM of Turtle River

Council Chambers

Business Meeting starting at 4:30 pm

- ❖ **Annual General Meeting Call to Order**
- ❖ **Opening Remarks**
- ❖ **Adoption of the Agenda**
- ❖ **Minutes of the 78th Annual General Meeting**
- ❖ **Report of the Board of Directors**
- ❖ **Report of the General Manager**
- ❖ **Report of the Auditor**
- ❖ **Financial Statements**
- ❖ **Nominations Committee Report**
- ❖ **Appointment of Auditors**
- ❖ **Long Term Service Awards**
- ❖ **Other Business**
- ❖ **Adjournment**

**Minutes of the 78th
ANNUAL GENERAL MEETING
of EDAM CREDIT UNION LIMITED,
Held at the Edam Credit Union
Edam, Saskatchewan,
On Wednesday, March 30, 2022
Via Microsoft Teams Virtual Platform**

The chairperson, President Ryan Roach, called the meeting to order at 4:33 pm.

Ross Houston declared a quorum present to conduct the meeting.

A motion to APPROVE THE AGENDA AS PRINTED was made by Blair St. Amant, seconded by Heidi Potter-Jamieson: CARRIED

MINUTES OF THE 77th ANNUAL GENERAL MEETING – Moved by Shawn Blais, seconded by Ian McDonald to receive the minutes as read: CARRIED.

BUSINESS ARISING FROM THE MINUTES - There was no business arising from the minutes.

REPORT OF THE BOARD OF DIRECTORS – Moved by Bonnie Letwinetz, seconded by Ian McDonald to accept the report as read by Ryan Roach: CARRIED.

REPORT OF THE GENERAL MANAGER – Moved by Ian McDonald, seconded by Shawn Blais to accept the report as read by Ross Houston: CARRIED.

REPORT OF THE AUDITORS AND FINANCIAL STATEMENTS – Moved by LeAnn Thom, seconded by Ian McDonald to accept the report of MNP as read by MANAGER, ASSURANCE AND ACCOUNTING - CREDIT UNIONS, Julia Eichholz: CARRIED.

REPORT OF THE NOMINATIONS COMMITTEE & ELECTION OF DIRECTORS -
On behalf of the Committee Chair and Returning Officer, Robert Goodall explained the function of the nominations committee and reported that there were three vacancies on the Board.

For the Board of Directors, the following persons were nominated by the Committee: John Grant, Blair St. Amant, and Shawn Blais.

On behalf of the Returning Officer, Robert Goodall declared the following directors elected by acclamation:

John Grant
Blair St. Amant
Shawn Blais

APOINTMENT OF AUDITORS – Moved by Shawn Blais, seconded by Blair St. Amant to appoint MNP as auditors for the current year: CARRIED.

LONG TERM SERVICE AWARDS - Ryan Roach thanked John Grant for 5 years as a board member.

Ross Houston thanked Melodie Nedelec for 10 years of service with the Edam Credit Union.

OTHER BUSINESS – No other business.

ANNOUNCEMENTS – Ryan Roach announced that we are happy to be sending Leah and Faith Frey to Coop Youth Summer Camp this year.

Ross Houston thanked everyone, including staff and directors for all their hard work.

DOOR PRIZES – We did not have any this year as we held the meeting via teleconference.

The meeting was ADJOURNED by Blair St. Amant at 5:10 pm.

President_____

Secretary_____

EDAM CREDIT UNION LIMITED

- BOARD OF DIRECTORS' REPORT FOR 2022 -

Building Tomorrow Together

The success of the Annual General Meeting depends on the participation of our members, and we appreciate your time and attendance this afternoon.

Your Board of Directors establishes and continually reviews the basic objectives and policies of this credit union, allowing us to set the strategic direction that we feel best serves our membership. This governance is crucial in optimizing our performance and creating an organization that will remain relevant to our community.

Helping the community that we serve to remain strong and vibrant is one of our core values. Throughout the year we promote, sponsor, and contribute to a variety of community activities, events, and organizations through the donation of prizes, trophies, products, and time. You will find a list of these important community partners elsewhere in our Annual Report.

Our collective future depends on our youth understanding the value of community and knowing what it takes to build and nurture a community. Therefore, we continue to sponsor students to attend the *Saskatchewan Co-operative Youth Program*, now known as *Camp Kindling Co-operative Youth Retreat*, and we were pleased that Leah Frey and Finn Frey were able to participate in 2022. Letters of gratitude from each of the participants are included in the Annual Report.

We also reward those young people who demonstrate an active involvement in their community, proudly awarding this year's Abe Wouters Community Service Scholarship to Ava Cole.

Corporate Governance

All nine of the individuals who make up your board of directors are considered "independent", meaning that they are free of any material interest in or relationship with the credit union beyond their membership. In other words, we are members just like you who have made the commitment to direct the business affairs of our credit union.

Throughout the year we attend regular board meetings, special planning meetings, committee meetings and system related meetings. Director remuneration in 2022 totaled \$9,834.51. It is the expectation of our regulatory bodies that your board is educated and understands the risks associated with directing our Credit Union as we act as the stewards of your money.

The board has several committees in place as well. In the past, three directors were appointed annually at the organizational meeting to serve on the External Credit Committee. However, at the recommendation of our regulators, Credit Union Deposit Guarantee Corporation, this committee has been eliminated to ensure lending decisions reside with management and staff. Effective June 16, 2022, loan requests that required the approval authority of the External Credit Committee, are now reviewed, and approved by an Internal Credit Committee that is comprised of management and lending staff.

The Executive Committee is comprised of the President, Vice-President and one other board member appointed at the annual organizational meeting. This committee is authorized to deal with any matters that arise between board meetings which require immediate attention.

