



2023

ANNUAL Report



Saskatchewan
Credit Unions

saskcu.com

Your Credit Union at a Glance

ASSETS	\$78,890,286
GROWTH	\$7,977,352
LOANS	\$46,760,166
DEPOSITS	\$69,526,048
MEMBERS	1147
NON-MEMBERS	11

Ever since Charter Number 115 was granted over 80 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 2023 we welcomed 68 new members and closed 38 memberships for a new membership increase of 30.

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
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
Darcy de Montarnal	2017	2026
Ryan Roach (President)	2017	2026
Cheri Frey	2023	2026

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
Deanne Carmody, Loans Officer, 2021
Shelly Curry, MSR, 2023

Front Row:

Hannah Tataryn, Loans Officer, 2021
Wanda Mosimann, General Manager, 2002
Glenda Weber, Office Manager, 2002
Melodie Nedelec, Senior MSR, 2011

OUR VISION

To provide members with excellent member 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.

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.
- Credit union employees are active participants in the 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!**

Listed below are some of the local organizations who received our support in 2023:

- | | |
|---|---|
| ○ Donor's Choice | ○ Picnic Lake Park |
| ○ Edam 3 Stars Senior Hockey | ○ H. Hardcastle School |
| ○ Edam Community Recreation Centre | ○ Mervin Golf Club |
| ○ Edam Fall Fair | ○ Mervin 4-H Club |
| ○ Edam Legion | ○ Edam West 4-H Club |
| ○ Edam Minor Hockey | ○ Vawn Recreation Board |
| ○ Edam Village Light 'Em Up 2023 | ○ Edam Minor Ball |
| ○ Edam Enriched Manor | ○ Edam Fire Fighters |
| ○ Youth Travel Club | ○ Edam Curling Club |
| ○ Edam Senior Centre | ○ Turtle River Wildlife Federation |

We also support larger initiatives that benefit our members:

Camp Kindling Sponsorship - Canadian Cancer Society - STARS



**Community
and Sponsorship**



Big or small we are always happy to support the 3-Stars!!



Happy Retirement Dave Walker!



Dress Down for a Cause

In 2023 we collected **\$800.00** & chose to **donate to STARS!!**



Edam Minor Ball Jersey Sponsor!



80th BBQ Lunch Celebration



Thank you for joining us at our 80th BBQ lunch celebration. The support from the Edam community is unmatched. We had a crowd of approximately 300 people. The weather was perfect. The bouncy castles were a hit with the kids. It was a great success but we couldn't do it without our members.

THANK YOU from all of us at the Edam Credit Union.





Camp Kindling Co-operative Youth Retreat!!



Mervin Golf Club Sponsor!!





CU Day Celebrations!



Ag Outlook Presentation!



Fall Fair Clerking!!



Board of Director Training!





Halloween Fun!



July 13 2023

Dear Edam Credit Union

My name is Leah Frey, thank you for sponsoring to go to Doug Alexander Intermediate camp at camp Kindling.

At this camp we had a bunch of sessions where we learned a lot of different things, such as how you can be in the same community as someone and still be so different. My favourite session was Starpower, in this session we learned about how when people have money it's easier for them ~~to~~ to get more money where as if someone has less money it is harder for them to get money.

I also enjoyed the committees. There was five committees, I got to be part of the talent show committee. In the talent show people got to show off what they could do. People sang ~~sung~~ danced and put on shows. I also really loved seeing people from last year and make new friends.

Thanks for sponsoring me, I hope you will consider sponsoring me again.

Sincerely

Leah Frey

Date: July 5, 2023

Dear Edam Credit Union,

My name is Chloé de Montarnal and I attended Junior 1 level at Camp Kindling. Thank you for sponsoring me. My favourite session at camp was the Global Trivia Challenge because my team won, and I learned about places around the world. There were also several other fun sessions I attended, such as Media and Co-op Shopping Spree. I also enjoyed the Individual, as we learned about being proud of ourselves. Overall, the best memory I will go home with is all the new friends I made and a fresh perspective on the world. Thank you for sponsoring me. I hope you will consider sponsoring again.

Sincerely,

Chloé de M.

July 4th
2023

Dear Edam Credit Union,

My name is Finn Frey and I attended Intro 1 at Camp Kindling, thank you for sponsoring my camp experience. My favourite session was ~~the~~ the co-operatives activity because we turned the snack shack into a camper run co-op. I joined the board as the treasurer and bought a membership to get a twenty five cent discount. I also really enjoyed initiative tasks and seeing all my friends from last year. Initiative tasks was really fun because my colour group and I completed fun games outside. Along with seeing my friends from last year I also made new friends. A memory I will take home is the talent show because I played the kazoo and everyone is very talented. Thank you for sponsoring me this year I hope you consider doing so again.

Sincerely, Finn

Hilroy



CREDIT UNIONS



Members Make It Happen

Quick Facts (as of December 31, 2023, unless otherwise indicated)

- There are 32 provincial credit unions and one federal credit union in communities across Saskatchewan.
- Provincial credit unions offer financial products and services to close to 445,000 members.
- Saskatchewan provincial credit union assets reached \$26.4 billion with revenue of more than \$1.3 billion.
- Provincial credit union lending amounts were more than \$19.7 billion.
- There are more than 300 board members who are locally elected by members of each credit union to provide strategic direction to their management teams.
- As independent financial institutions owned and controlled by their members, credit unions are shaped by community needs. Saskatchewan provincial credit unions range in asset size from \$50.48 million to more than \$7.7 billion.
- In 2023, Saskatchewan provincial credit unions returned over \$7 million to their members in the form of patronage equity contribution and dividends.
- Provincial credit unions are a major contributor to Saskatchewan's economy, employing close to 3,000 people.
- Funds held on deposit in Saskatchewan provincial credit unions are fully guaranteed through the Credit Union Deposit Guarantee Corporation. The full guarantee is made possible through a comprehensive deposit protection regime that is focused on prevention. Read more about the guarantee at www.cudgc.sk.ca.

*Your Money, Your Choice, **Your Credit Union***

EDAM CREDIT UNION LIMITED
- 80TH ANNUAL GENERAL MEETING AGENDA -

WEDNESDAY, March 27, 2024
7:30 pm

- ❖ Annual General Meeting Call to Order
 - Opening Remarks / Introduction of Guests
- ❖ Confirmation of Quorum
- ❖ Adoption of the Agenda
- ❖ Minutes of the 79th Annual General Meeting
- ❖ Report of the Board of Directors
- ❖ Report of the General Manager
- ❖ Report of the Auditors and Financial Statements
- ❖ Appointment of Auditors
- ❖ Nominations Committee Report
- ❖ Long Term Service Awards
- ❖ Adjournment



**Minutes of the 79th
ANNUAL GENERAL MEETING
of EDAM CREDIT UNON LIMITED,
Held at the RM of Turtle River, Council Chambers
Edam, Saskatchewan
On Wednesday, March 29, 2023**

The chairperson, President Ryan Roach, called the meeting to order at 4:30 pm.

Ryan Roach declared a quorum present to conduct the meeting (21 members in attendance).

A motion to APPROVE THE AGENDA AS PRINTED was made by Heidi Potter-Jamieson, seconded by Paulette Pavka: CARRIED

MINUTES OF THE 78th ANNUAL GENERAL MEETING – Moved by Bonnie Letwinetz, seconded by Taylor Baillargeon 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 Taylor Baillargeon, seconded by Richard Mosimann to accept the report as read by Ryan Roach: CARRIED.

REPORT OF THE GENERAL MANAGER – Moved by Rob Goodall, seconded by Paulette Pavka to accept the report as read by Wanda Mosimann: CARRIED.

REPORT OF THE AUDITORS AND FINANCIAL STATEMENTS – Moved by James Mosimann, seconded by Shawn Blais to accept the report of MNP as read by Wanda Mosimann: CARRIED.

REPORT OF THE NOMINATIONS COMMITTEE & ELECTION OF DIRECTORS -
On behalf of the Committee Chair and Returning Officer, Heid Potter-Jamieson 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: Ryan Roach, Darcy deMontarnal, and Cheri Frey.

On behalf of the Returning Officer, Heidi Potter-Jamieson declared the following directors elected by acclamation:

Ryan Roach
Darcy deMontarnal
Cheri Frey

APPOINTMENT OF AUDITORS – Moved by Heidi Potter-Jamieson, seconded by Rob Goodall to appoint MNP as auditors for the current year: CARRIED.

LONG TERM SERVICE AWARDS – Wanda Mosimann thanked Glenda Weber for 20 years of service with the Edam Credit Union.

Larry McDaid thanked Ryan Roach for 5 years as a board member.

Ryan Roach thanked Rob Goodall for 5 years as a board member.

Ryan Roach thanked Wanda Mosimann for 20 years of service with the Edam Credit Union.

Ryan Roach thanked Larry McDaid for 45 years as a board member.

OTHER BUSINESS – No other business.

Wanda Mosimann thanked everyone, including staff and directors for all their hard work.

DOOR PRIZES – Wanda Mosimann announced door prize winners:

Ian Heggstrom – Blanket

Hazel Mosimann – Wood Board Game

The meeting was ADJOURNED by Shawn Blais at 5:18 pm.

EDAM CREDIT UNION LIMITED

- BOARD OF DIRECTORS' REPORT FOR 2023 -

The success of our Annual General Meeting depends on the participation of our members, and we appreciate your time and attendance this evening, as we celebrate 80 years of service to our communities.

I am pleased to announce that 2023 was a profitable year for our credit union. This has allowed us to once again, provide a patronage allocation to our members in the amount of \$100,000, as well as continue supporting our community organizations through the donation of prizes, money, and time. We are proud to stand by the credit union philosophy of sharing profits with our members and our community.

The Board of Directors acknowledge that our staff are key to our organization's success. As their workload increases with additional regulations and compliance requirements, advanced technology and increased cyber risks, they continue to provide our members with excellent service in a friendly and professional manner. Thank you for your dedication to Edam Credit Union.

The Board of Directors is responsible for overseeing the credit union's operations, making strategic decisions, and ensuring the credit union is financially stable. Edam Credit Unions approach of maintaining a strong capital base has allowed us to weather past financial challenges and positions us well for future growth and developments.

We recognize the pace of change to the whole financial services industry, and how it impacts our members, staff, and board. With the rapid evolution of Information Technology, cybersecurity and fraud awareness have certainly become a priority at Edam Credit Union. Your credit union continues to promote education and development of both board and staff to ensure we can effectively manage this area of risk at our credit union.

We also recognize that small credit unions face challenges to their long-term viability for a variety of reasons. Over the years we have witnessed multiple credit union mergers in small communities such as Pierceland, Goodsoil, Spiritwood, and Debden. As we continue to grow strong, your Board of Directors has reaffirmed their desire for Edam Credit Union to remain autonomous. We believe our ability to consistently generate profits, provide local career opportunities, and deliver relevant products and services demonstrate the value of remaining autonomous for our members and our community.

I would like to take this opportunity to thank my fellow board members for their commitment and dedication to our credit union. They each bring their own knowledge and experience to the table and that is very valuable to the success of Edam Credit Union.

Finally, I want to thank you, our members for your continued loyalty and trust. It is because of your support that we are proudly celebrating over 80 years of success!

Respectfully submitted,
Ryan Roach, Board President

EDAM CREDIT UNION LIMITED

- MANAGEMENT DISCUSSION AND ANALYSIS -

Code of Conduct

Edam 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.
- Fair sales by outlining the roles and relationship of staff to all members.
- Financial planning process to advise members on the risks associated with financial planning services.
- Privacy to protect the interests of those who do business with Edam Credit Union.
- Professional standards to preserve a positive image of Edam Credit Union.
- 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.
- Risk management to ensure all risks are measured and managed in an acceptable fashion.

Our employees and directors are obliged to act in accordance with the highest standards of personal and professional integrity.

Our Co-operative Principles

As a true co-operative financial institution, Edam 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.

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 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 cooperative; 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 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 public about the nature and benefits of cooperation.

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.

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. Through this process, the following risks have been identified according to their potential impact on Edam Credit Union.

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. 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.

A primary indicator of risk in a loan portfolio is the measurement of loans with delinquency over 90 days. In comparison to the system average at .73%, our delinquency remains low at .30% of total loans.

Additional information about credit risk can be found in footnote 18 of the Financial Statement.

In accordance with Credit Union Deposit Guarantee Corporation (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 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:

	2023	% of Portfolio
Insured	\$ 2,418,795	11%
Uninsured	\$20,234,902	89%
HELOC (home equity line of credit) \$	0	0%
Total	\$22,653,697	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, 2023, Edam Credit Union had coverage of 415.78%.

Legal & Regulatory Risk - 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 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 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.

Edam Credit Union has a formal planning process which results in a strategic business plan focused on strategic objectives. The credit union uses a reporting process to monitor performance relative to plans and provides regular updates to the Board. The Enterprise Risk Management process further identifies emerging risks and formulates plans as risks are identified. In addition, directors attend training as well as system meetings and conferences to hear other perspectives and learn from other credit unions.

We continue to challenge ourselves with our Technology Road Map to ensure we are keeping pace to stay relevant and up to date for our members.

Operational Risk - 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.

Board of Directors

Anchored in the co-operative principle of democratic control, Edam Credit Union is governed by a member-elected Board of Directors. The Board is accountable for leading and nurturing the long-term strategic direction of the Credit Union while creating and maintaining value for its members and communities.

The Credit Union is committed to following the regulations and guidelines set by the Government of Saskatchewan, and the Credit Union Act 1998, Credit Union Deposit Guarantee Corporation through The Standards of Sound Business Practice, and our own Bylaws and policies.

The board is composed of 9 individuals elected by the members of the credit union. Board members are elected for 3-year terms. Director compensation is found in the notes to the financial statement. All directors are required to attend at least 75% of the board meetings annually. It is the expectation of our regulatory bodies that the Board of Directors are educated and understand the risks associated with directing the Edam Credit Union.

The responsibilities of the board of a modern financial services organization involve many duties. Edam Credit Union maintains several committees comprised of directors, allowing a clear focus on specific areas of activity vital to the effective operation of our credit union.

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.

Three directors are also appointed annually to the *Conduct Review Committee*. This committee ensures that Edam 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.

By policy, the *Nominations Committee* consist of the three directors whose terms will expire in the subsequent year.

We also have a *Policy Review Committee* composed of five appointed directors. They are tasked with the responsibility of reviewing and approving Edam Credit Union's policies.

At our credit union, every director serves on the *Audit & Risk Committee*. This allows all board members to participate in the reviews of internal controls, legislative compliance, risk management and the financial results of our operations.

And Capital is King

Our regulator, 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.

The financial strength of our credit union is primarily measured by our capital ratios. As part of our capital management process, we closely monitor two important indicators of capital adequacy. One is overall capital, also known as retained earnings, as a percentage of total assets, and this ratio is referred to as the leverage ratio. In 2023 this ratio ended at 11.71%, well above the regulatory standard set by CUDGC of 5.00%.

We also monitor our risk weighted capital ratio which is a measure of our assets and their level of risk compared to Edam Credit Union's equity reserves. 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. CUDGC has set the current required level at 10.50%. In 2023 this ratio ended at 25.72%, well above the regulatory requirement, which means Edam Credit Union is in a very strong capital position.

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.

EDAM CREDIT UNION LIMITED

- MANAGER'S REPORT FOR 2023 -

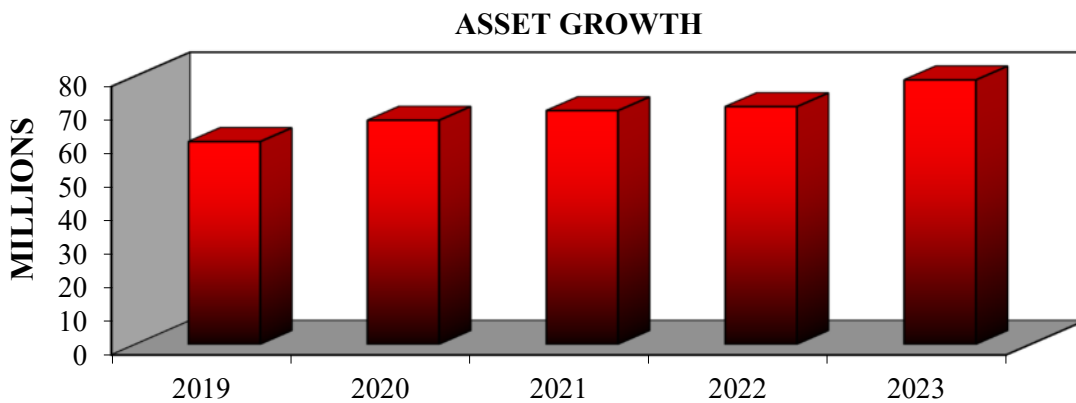
Service to Members First

The priority that remains top of mind for each of our employees is service to members first. Providing excellent member service is not just about the products – it's really about the people and the experience you have every time you come into the credit union. Edam Credit Union supports a culture where on-going learning is both encouraged and expected of employees and directors. As our members' needs expand, so do our efforts to meet them.

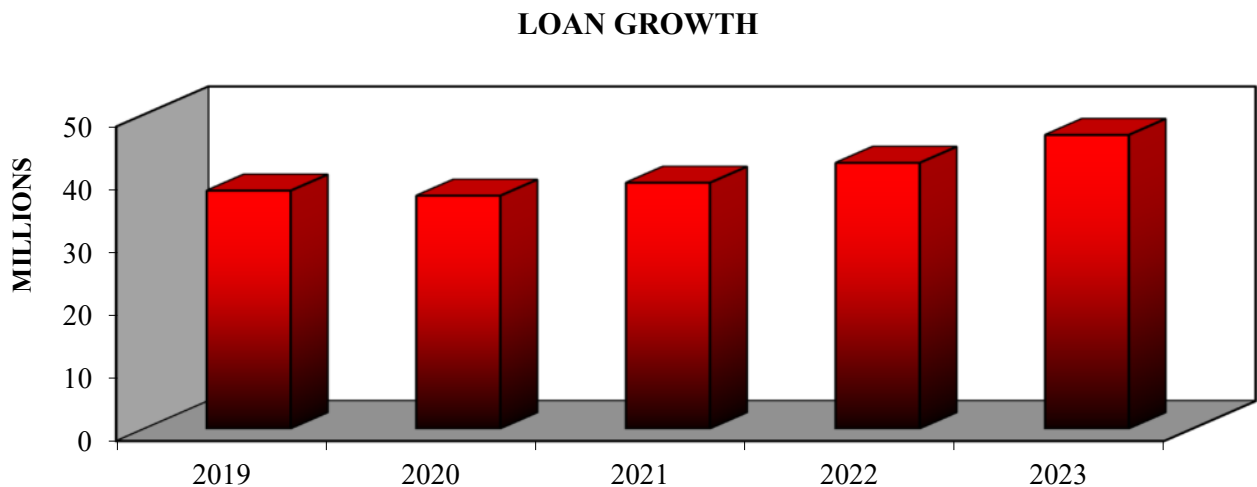
Financial Strength

Assets

In 2023 total assets grew from \$70.91 million to \$78.89 million for an increase of 11.24% over last year. It was a year of significant growth as we surpassed the provincial average of 4.43%. This growth was comprised of an increase in our member loans receivable, as well as an increase in our cash and investments.

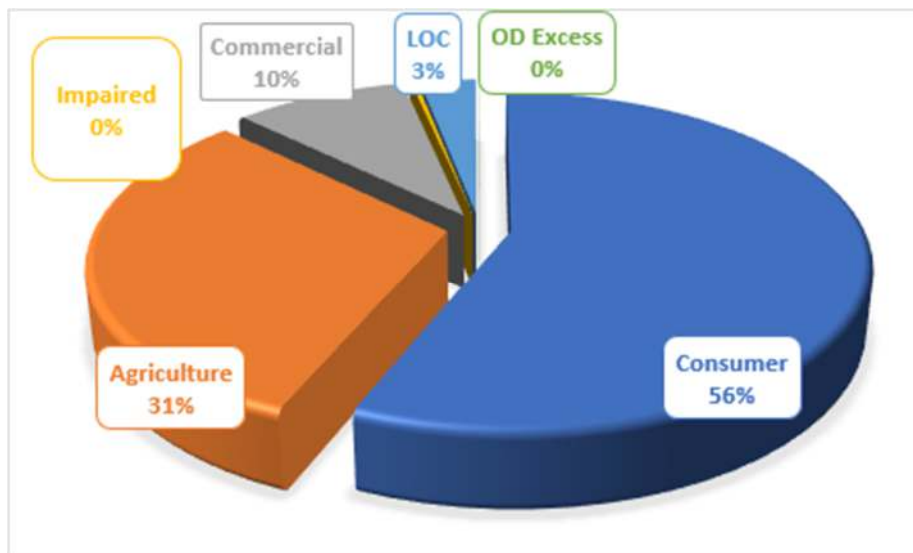


We maintained high levels of loan growth all throughout the year. As depicted in the graph below, we ended the year with \$46.76 million in loans outstanding, for an increase of 10.47% over last year. In looking across the provincial credit unions, the provincial average experienced growth of 5.61%.



The primary driver behind this rapid growth rate was the increased demand for agriculture and commercial loans throughout the year. Our goal is to ensure that we have a quality loan portfolio that contributes to the financial success of the credit union while meeting our members' credit needs.

This pie chart shows that Edam Credit Union has a good loan portfolio mix, with the largest percentage of our loans in the consumer portion of the chart.



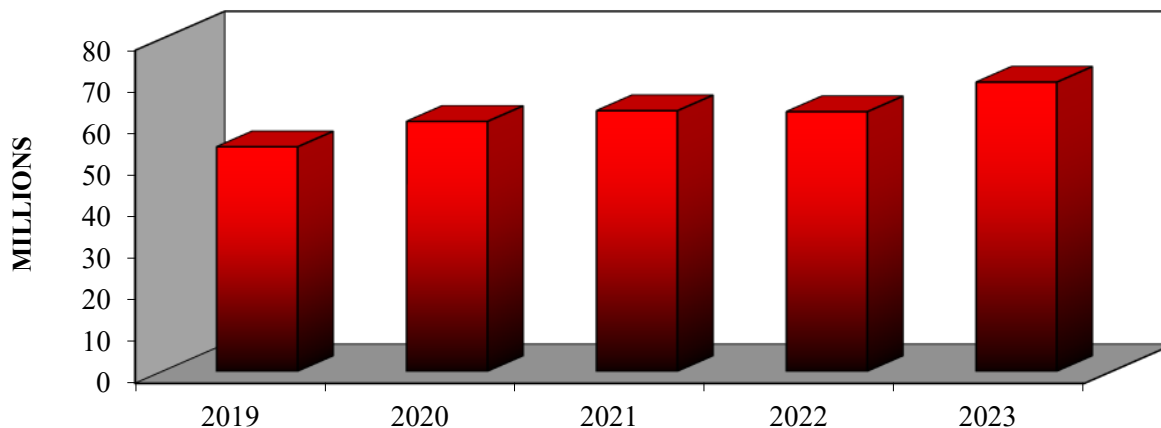
The mix of a balance sheet plays a critical role in profitability. A significant amount of our earning assets remains invested in low-risk deposits. By policy we put the safety of principal above all else when evaluating potential investments. At approximately \$25.60 million our investments form 32.44% of our total assets.

Liabilities

Typically, the growth in assets corresponds to the growth in our member deposits, as those funds form part of the credit union cash and investments on the asset side of the balance sheet. This held true in 2023, as our member deposits increased steadily ending the year at \$69.53 million resulting in an increase of 11.35% over last year. In comparison, the provincial average growth was 3.53%.

Deposit growth provides the credit union with liquidity to fund loan growth, and this is important as we rely on interest revenue from these loans as a main source of income for our organization, as they typically generate a higher rate of return in comparison to investments.

DEPOSIT GROWTH



Profitability

Revenue

Edam Credit Union's business as a financial institution is to provide deposit services to our members and then to use those funds to generate loans and invest the remaining dollars. Revenue generated from those activities is categorized as interest revenue and non-interest revenue.

The increased Bank of Canada rate that continued through 2023 had a positive effect on Edam Credit Union's interest revenue generation, improving steadily quarter after quarter and surpassing our annual earnings expectations. Non-interest income is typically composed of service charges, loan fees and commissions we receive on the products and services provided to our members through our partner affiliates, and it remained relatively steady in 2023.

Expenses

The increased Bank of Canada rate has also had an impact on our interest expense on member deposits, resulting in a nominal increase of \$602,000 over last year. Our personnel expenses increased by \$92,690 over last year due to annual progression increases of salaries as well as adding a new temporary position to the organization. General business expenses experienced an increase of \$157,834 over last year. This category is a compilation of several expense categories including fraud and cyber security, technology, and advertising costs. The bulk of this increase was due to the implementation of enhanced online banking security as well as an increase in cyber security insurance. To keep pace with technology advancements, fraud management, cyber security, and compliance requirements we are continually faced with increased costs. However, Edam Credit Union strives to effectively manage non-interest expenses and is happy to report an efficiency ratio of 60.46% on December 31, 2023.

Profit

Our net income for 2023 was \$794,897 compared to last year's income of \$1.40 million. Although it appears that 2023 was not as strong as the prior year, that is not accurate as the bottom line in 2022 was significantly impacted by a large dividend (\$866,084, tax-free) received from the sale of our shares in Concentra Bank, making it unusually high. Overall, with an ROA of 1.01%, 2023 was a very good year for the Credit Union, allowing us to maintain our strong capital position into the future. In comparison, the provincial average was 0.45%.

As Ryan mentioned earlier, this has allowed us to provide a patronage allocation to our members in the amount of \$100,000, as well as continue supporting our community organizations and events. We are proud to share our profits with our members and our community.

The Year in Review

We were excited to begin 2023 with the launch of a new digital banking experience for our members. This was closely followed by the delivery of a fresh and modern new website that shares the same crisp and clean theme of our digital banking applications. We have received many compliments from our members.

In January we partnered with Turtleford Credit Union to offer our local agricultural community with an outlook on the 2023 global, national, and local commodity markets. This Ag Outlook Seminar was presented by Brad Magnusson, a farmer & CEO of Magnusson Consulting Group from Manitoba, who offers insights & expertise to the credit union system regularly. We had an excellent turnout with great feedback.

May 1st marked the date that I officially assumed the responsibilities of General Manager and Ross transitioned into the temporary role as our Relationship Manager. In this position Ross was able to build on member relationships and provide team mentorship as our credit union transitioned throughout the year.

To invest in the safety of our community we happily purchased and installed an AED Life Rescue Station in our vestibule, allowing it to be available 24/7 in the event of an emergency. The station includes an automated external defibrillator that is designed to be used for both adult and child victims of sudden cardiac

arrest. In May we organized an AED Training and Volunteer Emergency Responder Appreciation Event, where first responder, Bonnie Letwinetz provided an excellent overview around the use of the device. Fire Chief, Ray Seipp and crew also attended with an impressive display of all the equipment our fire department has access to. This event was very well received by those who attended.

We reward those young people who demonstrate an active involvement in their community, and in June, we were proud to award the 2023 Edam Credit Union Community Service Scholarship to Carston Day.

We happily sponsor students to attend the *Camp Kindling Co-operative Youth Retreat*, and we were pleased that Leah Frey, Finn Frey, and Chloe de Montarnal were able to participate in the summer of 2023. Letters of gratitude from each of the participants are included within the Annual Report.

In July we celebrated our 80th anniversary with a BBQ lunch. The event was a success with over 300 people in attendance. The weather was perfect, the bouncy castles were a hit, and the food was delicious.

Fraud and cyber security prevention were high on the priority list throughout 2023. As a result, we implemented Strong PAC and 2-Step verification as enhanced online banking login security features to protect our members from fraudsters. We also continued to work into 2024 enhancing the security levels of our CAFT system used by business members to process automatic deposits. Finding a proper balance between member convenience and security awareness is key to protecting our members money.

Together with Turtleford Credit Union, we co-hosted a wealth services presentation delivered by our Wealth Specialist, Hayden Friedrich. If you are looking for advice on growing and protecting your money, I encourage you to speak with Hayden. He is available for appointments at our office on the first Tuesday of every month - just give us a call and we can schedule you in.

We sponsored Dwayne Peace of Life Synergy for Youth Inc. to speak at our local school on October 24th. This moving presentation provided our students with a powerful message empowering them to improve the lives of others.

Our credit union hosted an in-person training event for our Board of Directors on November 24th and 25th in Edam, at the RM Office. The RM graciously allowed us to use their facility at no cost and it was the perfect venue for this type of event. Directors from Turtleford Credit Union, Unity Credit Union, and Luseland Credit Union also attended. This is an example of credit unions collaborating to reduce costs and gain the value of networking amongst peer credit unions.

2023 was another successful year made possible through the continued support of our members and the dedication of our staff and board of directors. For 80 years now we have remained a strong local credit union committed to our members, our community, and our vision – **to provide our members with excellent member service.**

Respectfully submitted,



Wanda Mosimann, General Manager



CREDIT UNION DEPOSIT GUARANTEE CORPORATION ANNUAL REPORT MESSAGE 2023

January 2024

Credit Union Deposit Guarantee Corporation (the Corporation) functions as the deposit guarantor for Saskatchewan credit unions and serves as the primary regulator for credit unions and Credit Union Central of Saskatchewan (SaskCentral). Collectively, these entities are referred to as Provincially Regulated Financial Institutions or "PRFIs". The Corporation operates under provincial legislation, namely, *The Credit Union Act, 1998* and *The Credit Union Central of Saskatchewan Act, 2016*. The responsibility for overseeing the Corporation is assigned to the Registrar of Credit Unions at the Financial and Consumer Affairs Authority of Saskatchewan as stipulated by provincial legislation.

Established in 1953, the Corporation holds the distinction of being the first deposit guarantor in Canada, ensuring the successful guarantee of deposits. Through the promoting of responsible governance and prudent management of capital, liquidity, and guaranteeing deposits, the Corporation plays a crucial role in fostering 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.

Edam Credit Union Limited
Financial Statements
December 31, 2023

Edam Credit Union Limited Contents

For the year ended December 31, 2023

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Management's Responsibility

To the Members of Edam Credit Union Limited:

Management is responsible for the preparation and fair presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Audit and Risk Committee are composed entirely of Directors who are neither management nor employees of the Credit Union. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Audit and Risk Committee has the responsibility of meeting with management, internal auditors, and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Credit Union's external auditors.

MNP LLP is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

March 14, 2024



General Manager

To the Members of Edam Credit Union Limited:

Opinion

We have audited the financial statements of Edam Credit Union Limited (the "Credit Union"), which comprise the statement of financial position as at December 31, 2023, and the statements of comprehensive income, changes in members' equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2023, and its financial performance and its 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 Canada, 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.

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.

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.

Independent Auditor's Report *(continued from previous page)*

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment 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 timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Saskatoon, Saskatchewan

March 14, 2024

MNP LLP

Chartered Professional Accountants

Edam Credit Union Limited

Statement of Financial Position


As at December 31, 2023

	2023	2022
Assets		
Cash and cash equivalents <i>(Note 5)</i>	5,927,248	9,932,285
Investments <i>(Note 6)</i>	25,598,069	17,169,519
Member loans receivable <i>(Note 7)</i>	46,760,166	42,326,179
Other assets <i>(Note 8)</i>	119,543	976,658
Property, plant and equipment <i>(Note 9)</i>	485,260	508,293
	78,890,286	70,912,934
Liabilities		
Member deposits <i>(Note 11)</i>	69,526,048	62,436,684
Other liabilities <i>(Note 13)</i>	162,426	64,666
Membership shares <i>(Note 14)</i>	293,180	297,849
	69,981,654	62,799,199
Commitments <i>(Note 18), (Note 20)</i>		
Members' equity		
Retained earnings	8,908,632	8,113,735
	78,890,286	70,912,934

Approved on behalf of the Board



 Director



 Director

The accompanying notes are an integral part of these financial statements

Edam Credit Union Limited
Statement of Comprehensive Income
For the year ended December 31, 2023

	2023	2022
Interest income		
Member loans	2,468,514	1,768,677
Investments	939,999	1,287,363
	3,408,513	3,056,040
Interest expense		
Member deposits	870,863	268,587
Borrowed money	1,736	1,072
	872,599	269,659
Gross financial margin	2,535,914	2,786,381
Other income	275,590	261,103
	2,811,504	3,047,484
Operating expenses		
Personnel	881,669	788,979
Security	62,468	61,861
Organizational	34,934	25,128
Occupancy	92,059	91,509
General business	654,356	496,522
	1,725,486	1,463,999
Income before provision for impaired loans, patronage refund and provision for (recovery of) income taxes	1,086,018	1,583,485
Provision for impaired loans (Note 7)	42,207	14,918
Patronage refund (Note 15)	99,989	99,950
Income before provision for (recovery of) income taxes	943,822	1,468,617
Provision for (recovery of) income taxes (Note 12)		
Current	151,486	73,727
Deferred	(2,561)	(7,790)
	148,925	65,937
Comprehensive income	794,897	1,402,680

The accompanying notes are an integral part of these financial statements

Edam Credit Union Limited
Statement of Changes in Members' Equity
For the year ended December 31, 2023

	<i>Retained earnings</i>	<i>Total equity</i>
Balance December 31, 2021	6,711,055	6,711,055
Comprehensive income	1,402,680	1,402,680
Balance December 31, 2022	8,113,735	8,113,735
Comprehensive income	794,897	794,897
Balance December 31, 2023	8,908,632	8,908,632

The accompanying notes are an integral part of these financial statements

Edam Credit Union Limited Statement of Cash Flows

For the year ended December 31, 2023

	2023	2022
Cash provided by (used for) the following activities		
Operating activities		
Interest received from member loans	2,407,484	1,761,490
Interest received from investments	1,658,425	394,536
Other income	275,590	261,103
Cash paid to suppliers and employees	(1,624,329)	(1,419,062)
Interest paid on deposits	(541,050)	(264,214)
Interest paid on borrowed money	(1,736)	(1,072)
Patronage refund	(99,989)	(99,950)
Income taxes paid	(78,195)	(25,696)
	1,996,200	607,135
Financing activities		
Net change in member deposits	6,759,551	(241,100)
Net change in membership shares	(4,669)	3,891
	6,754,882	(237,209)
Investing activities		
Net change in investments	(8,280,892)	3,984,131
Net change in member loans receivable	(4,415,164)	(3,165,849)
Purchases of property, plant and equipment	(60,063)	(3,833)
	(12,756,119)	814,449
Increase (decrease) in cash and cash equivalents	(4,005,037)	1,184,375
Cash and cash equivalents, beginning of year	9,932,285	8,747,910
Cash and cash equivalents, end of year	5,927,248	9,932,285

The accompanying notes are an integral part of these financial statements

1. Reporting entity

Edam Credit Union Limited (the "Credit Union") was formed pursuant to the *Credit Union Act 1998* of Saskatchewan ("the Act") and operates one Credit Union branch.

The Credit Union serves members and non-members in Edam, Saskatchewan and the surrounding community. The address of the Credit Union's registered office is 2001 Main Street, Edam, Saskatchewan.

The Credit Union operates principally in personal and commercial banking in Saskatchewan.

The Credit Union conducts its principal operations through one branch, offering products and services including deposit business, individual lending, and independent business and commercial lending. The deposit business provides a wide range of deposit and investment products and sundry financial services to all members. The lending business provides a variety of credit products and services designed specifically for each particular group of borrowers. Other business comprises business of a corporate nature such as investment, risk management, asset liability management, treasury operations and revenue and expenses not expressly attributed to the business units.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board ("IASB").

The financial statements were approved by the Board of Directors and authorized for issue on March 14, 2024.

2. Change in accounting policies

Standards and interpretations effective in the current period

The Credit Union adopted amendments to the following standards, effective January 1, 2023. Adoption of these amendments resulted in the Credit Union disclosing material accounting policy information instead of significant accounting policy information.

- IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements*
- IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

3. Basis of preparation

Basis of measurement

The financial statements have been prepared using the historical cost basis except for the revaluation of certain financial instruments.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Credit Union's functional currency.

Significant accounting judgments, estimates and assumptions

The preparation of the Credit Union's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. These estimates and assumptions have been made using careful judgment; however, uncertainties could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in comprehensive income in the period in which the estimate is revised if revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date are discussed below.

3. Basis of preparation *(Continued from previous page)*

By their nature, these estimates are subject to measurement uncertainty, and the effect on the financial statements from changes in such estimates in future years could be significant.

Classification of financial assets

Classification of financial assets requires management to make judgments regarding the business model under which the Credit Union's financial assets are held and whether contractual cash flows consist solely of payments of principal and interest. Management has determined that the penalty to exercise prepayment features embedded in certain loans made to members do not result in payments that are not solely payments of principal and interest because they represent reasonable additional compensation for early termination of the contract.

Key assumptions in determining the allowance for expected credit losses

At each reporting period, financial assets are assessed to determine whether their credit risk has increased significantly since initial recognition. In determining whether credit risk has significantly increased, management develops a number of assumptions about the following factors which impact the borrowers' ability to meet debt obligations:

- Expected significant increase in unemployment rates and interest rates
- Declining revenues, working capital deficiencies, increases in balance sheet leverage and liquidity
- Expected or actual changes in internal credit ratings of the borrowers or external credit ratings of the instrument
- The correlation between credit risk on all lending facilities of the same borrower
- Changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements

Significant judgments, estimates and assumptions are required when calculating the expected credit losses of financial assets. In measuring the 12-month and lifetime expected credit losses, management makes assumptions about prepayments, the timing and extent of missed payments or default events. In addition, management makes assumptions and estimates about the impact that future events may have on the historical data used to measure expected credit losses.

In estimating expected credit losses, the Credit Union develops a number of assumptions as follows:

- The period over which the Credit Union is exposed to credit risk, considering for example, prepayments, extension options, demand features
- The probability-weighted outcome, including identification of scenarios that specify the amount and timing of the cash flows for particular outcomes and the estimated probability of those outcomes
- The risk of default occurring on loans during their expected lives and during the next 12 months after the reporting date
- Expected cash short falls including recoveries, costs to recover and the effects of any collateral or other credit enhancements
- Estimates of effective interest rates used in incorporating the time value of money
- Effects of the economic changes, such as inflation and rising interest rates, on specific sectors to which the Credit Union has credit exposures

The above assumptions are based on historical information and adjusted for current conditions and forecasts of future economic conditions. The Credit Union determines adjustments needed to its historical assumptions by monitoring the correlation of the probability of default and loss rates with the following economic variables:

- Interest rates
- Unemployment rates
- Gross domestic product
- Inflation
- Loan to value ratios
- Housing price indices

The estimate of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes that are neither best-case nor worse-case scenarios. The Credit Union uses judgment to weight these scenarios.

4. **Material accounting policy information**

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

Regulations to the Act specify that certain items are required to be disclosed in the financial statements which are presented at annual meetings of members. It is management's opinion that the disclosures in these financial statements and notes comply, in all material respects, with the requirements of the Act. Where necessary, reasonable estimates and interpretations have been made in presenting this information.

Foreign currency translation

Transactions denominated in foreign currencies are translated into the functional currency of the Credit Union at exchange rates prevailing at the transaction dates (spot exchange rates). Monetary assets and liabilities are retranslated at the exchange rates at the statement of financial position date. Exchange gains and losses on translation or settlement are recognized in comprehensive income for the current period.

Revenue recognition

The following describes the Credit Union's principal activities from which it generates revenue.

Service charge fees, commission and other revenue

The Credit Union generates revenue from providing various financing and investing services to its members. Revenue is recognized as services are rendered.

The Credit Union does not have an enforceable right to payment until services are rendered and commission revenue earned when the products are sold.

The amount of revenue recognized on these transactions is based on the price specified in the contract.

The Credit Union does not expect to have any contracts where the period between the transfer of the promised goods or services to the member and payment by the member exceeds one year. Consequently, the Credit Union does not adjust any of the transaction prices for the time value of money.

Revenue recognition for items outside the scope of IFRS 15 are included in the financial instruments section of Note 4.

Financial instruments

Financial assets

Recognition and initial measurement

The Credit Union recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

Classification and subsequent measurement

On initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The Credit Union determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

Debt instruments are classified as follows:

- Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of cash equivalents, SaskCentral and Concentra Bank deposits, member loans receivable and accrued interest thereon, and accounts receivable balances.

4. Material accounting policy information *(Continued from previous page)*

- Mandatorily at fair value through profit or loss - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. Financial assets mandatorily measured at fair value through profit or loss include cash.

The Credit Union measures all equity investments at fair value. Changes in fair value are recorded in profit or loss. Equity investments measured at fair value through profit or loss are comprised of other equity instruments and SaskCentral and Concentra Bank shares.

Business model assessment

The Credit Union assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed and information is provided to management. Information considered in this assessment includes stated policies and objectives, and how performance of the portfolio is evaluated.

Contractual cash flow assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Credit Union considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Credit Union's claim to cash flows, and any features that modify consideration for the time value of money.

Reclassifications

The Credit Union reclassifies debt instruments only when its business model for managing those financial assets has changed. Reclassifications are applied prospectively from the reclassification date and any previously recognized gains, losses or interest are not restated.

Impairment

The Credit Union recognizes a loss allowance for the expected credit losses associated with its financial assets, other than debt instruments measured at fair value through profit or loss and equity investments, as well as lease receivables, contract assets, and any financial guarantee contracts and loan commitments not measured at fair value through profit or loss. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

For member loans receivable, the Credit Union records a loss allowance equal to the expected credit losses resulting from default events that are possible within the next 12-month period, unless there has been a significant increase in credit risk since initial recognition. For those financial assets for which the Credit Union assessed that a significant increase in credit risk has occurred, the Credit Union records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Credit Union applies the simplified approach for accounts receivable that do not contain a significant financing component. Using the simplified approach, the Credit Union records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Credit Union assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts, breaches of borrowing contracts such as default events or breaches of borrowing covenants, requests to restructure loan payment schedules. For financial assets assessed as credit-impaired at the reporting date, the Credit Union continues to recognize a loss allowance equal to lifetime expected credit losses.

Loss allowances for expected credit losses are presented in the statement of financial position as follows:

- For financial assets measured at amortized cost, as a deduction from the gross carrying amount of the financial assets;
- For loan commitments and financial guarantee contracts, as a provision; and

4. Material accounting policy information *(Continued from previous page)*

- For facilities with both a drawn and undrawn component where the Credit Union cannot separately identify expected credit losses between the two components, as a deduction from the carrying amount of the drawn component. Any excess of the loss allowance over the carrying amount of the drawn component is presented as a provision.

Financial assets are written off when the Credit Union has no reasonable expectations of recovering all or any portion thereof.

Refer to Note 18 for additional information about the Credit Union's credit risk management process, credit risk exposure and the amounts arising from expected credit losses.

Derecognition of financial assets

The Credit Union applies its accounting policies for the derecognition of a financial asset to a part of a financial asset only when:

- The part comprises only specifically identified cash flows from a financial asset;
- The part comprises only a pro-rata share of the cash flows from a financial asset; or
- The part comprises only a pro-rata share of specifically identified cash flows from a financial asset.

In all other situations the Credit Union applies its accounting policies for the derecognition of a financial asset to the entirety of a financial asset.

The Credit Union derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire, or the financial asset has been transferred under particular circumstances.

For this purpose, a financial asset is transferred if the Credit Union either:

- Transfers the right to receive the contractual cash flows of the financial asset, or
- Retains the right to receive the contractual cash flows of the financial asset, but assumes an obligation to pay received cash flows in full to one or more third parties without material delay and is prohibited from further selling or transferring the financial asset.

Transferred financial assets are evaluated to determine the extent to which the Credit Union retains the risks and rewards of ownership. When the Credit Union neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it evaluates whether it has retained control of the financial asset.

Where substantially all risks and rewards of ownership have been transferred, or risks and rewards have neither been transferred nor retained and control of the financial asset has not been retained, the Credit Union derecognizes the financial asset. At the same time, the Credit Union separately recognizes as assets or liabilities the fair value of any rights and obligations created or retained in the transfer. Any difference between the carrying amount measured at the date of recognition and the consideration received is recognized in profit or loss. Such transactions include syndications of member loans.

Modification of financial assets

The Credit Union assesses the modification of terms of a financial asset to evaluate whether its contractual rights to the cash flows from that asset have expired in accordance with the Credit Union's derecognition policy.

When the modifications do not result in derecognition of the financial asset, the gross carrying amount of the financial asset is recalculated with any difference between the previous carrying amount and the new carrying amount recognized in profit or loss. The new gross carrying amount is recalculated as the present value of the modified contractual cash flows discounted at the asset's original effective interest rate.

For the purpose of applying the impairment requirements, at each reporting date subsequent to the modification, the Credit Union continues to assess whether there has been a significant increase in credit risk on the modified financial assets from the date of initial recognition.

4. Material accounting policy information *(Continued from previous page)*

Financial liabilities

Recognition and initial measurement

The Credit Union recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Credit Union measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Classification and subsequent measurement

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit or loss.

Derecognition of financial liabilities

The Credit Union derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

Dividend income

Dividend income is recorded in profit or loss when the Credit Union's right to receive payments is established, it is probable that the economic benefits associated with the dividend will flow to the Credit Union, and the amount of the dividend can be measured reliably.

Interest

Interest income and expense are recognized in profit or loss using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments over the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortized cost of the financial liability. The effective interest rate is calculated considering all contractual terms of the financial instruments, except for the expected credit losses of financial assets.

The 'amortized cost' of a financial asset or financial liability is the amount at which the instrument is measured on initial recognition minus principal repayments, plus or minus any cumulative amortization using the effective interest method of any difference between the initial amount and maturity amount and adjusted for any expected credit loss allowance. The 'gross carrying amount' of a financial asset is the amortized cost of a financial asset before adjusting for any expected credit losses.

Interest income and expense is calculated by applying the effective interest rate to the gross carrying amount of the financial asset (when the asset is not credit-impaired) or the amortized cost of the financial liability.

Where a financial asset has become credit-impaired subsequent to initial recognition, interest income is calculated in subsequent periods by applying the effective interest method to the amortized cost of the financial asset. If the asset subsequently ceases to be credit-impaired, calculation of interest income reverts to the gross basis.

Collateral

The Credit Union recognizes the proceeds from the sale of any non-cash collateral that has been pledged to it and a liability measured at fair value for its obligation to return the collateral.

If a debtor defaults under the terms of its contract and is no longer entitled to the return of any collateral, the Credit Union recognizes the collateral as an asset initially measured at fair value or, if it has already sold the collateral, derecognizes its obligation to return the collateral.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Credit Union's cash management system.

4. Material accounting policy information *(Continued from previous page)*

Investments

Each investment is classified into one of the categories described under financial instruments. The classification dictates the accounting treatment for the carrying value and changes in that value.

SaskCentral and Concentra Bank deposits and shares

SaskCentral and Concentra Bank deposits are measured at amortized cost. Shares are measured at fair value, with adjustments to fair value recognized in profit or loss.

Portfolio investments

Investments in other equity instruments are measured at fair value, with adjustments recognized in profit or loss.

Impairment of non-financial assets

At the end of each reporting period, the Credit Union reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Credit Union estimates the recoverable amount of the cash-generating units ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU's, or otherwise they are allocated to the smallest group of CGU's for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in comprehensive income.

Syndication

The Credit Union syndicates individual assets with various other financial institutions primarily to manage credit risk, create liquidity and manage regulatory capital for the Credit Union. Syndicated loans transfer substantially all the risks and rewards related to the transferred financial assets and are derecognized from the Credit Union's statement of financial position. All loans syndicated by the Credit Union are on a fully serviced basis. The Credit Union receives fee income for services provided in the servicing of the transferred financial assets.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

All assets having limited useful lives are depreciated using the straight-line method over their estimated useful lives. Land has an unlimited useful life and is therefore not depreciated. Assets are depreciated from the date of acquisition. Internally constructed assets are depreciated from the time an asset is available for use.

4. Material accounting policy information *(Continued from previous page)*

The depreciation rates applicable for each class of asset during the current and comparative period are as follows:

	Rate
Buildings	5 - 25 years
Furniture and equipment	3 - 10 years

The residual value, useful life and depreciation method applied to each class of assets are reassessed at each reporting date.

Gains or losses on the disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset, and recognized in comprehensive income as other operating income or other operating costs, respectively.

Income taxes

The Credit Union accounts for income taxes using the asset and liability method. Current and deferred taxes are recognized in comprehensive income except to the extent that the tax is recognized either in other comprehensive income or directly in equity, or the tax arises from a business combination. Under this method, the provision for income taxes is based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realized or the liabilities are settled.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable income.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available which allows the deferred tax asset to be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Membership shares

Shares are classified as liabilities or member equity in accordance with their terms. Shares redeemable at the option of the member, either on demand or on withdrawal from membership, are classified as liabilities. Shares redeemable at the discretion of the Credit Union Board of Directors are classified as equity. Shares redeemable subject to regulatory restrictions are accounted for using the criteria set out in IFRIC 2 *Members' Shares in Cooperative Entities and Similar Instruments*.

5. Cash and cash equivalents

	2023	2022
Cash	1,330,525	1,156,785
Cash equivalents	4,596,723	8,775,500
	5,927,248	9,932,285

Edam Credit Union Limited
Notes to the Financial Statements
For the year ended December 31, 2023

6. Investments

	2023	2022
Measured at amortized cost		
SaskCentral and Concentra Bank deposits	24,115,820	15,615,820
Measured at fair value through profit or loss		
SaskCentral and Concentra Bank shares	1,226,906	1,446,014
Other equity instruments	20,000	20,000
	1,246,906	1,466,014
	25,362,726	17,081,834
Accrued interest	235,343	87,685
	25,598,069	17,169,519

The table below shows the credit risk exposure on investments. Ratings are provided by Dominion Bond Rating Services ("DBRS") unless otherwise indicated.

	2023	2022
Investment portfolio rating		
BBB	19,500,010	11,000,010
R1	5,842,716	6,061,824
Unrated	20,000	20,000
	25,362,726	17,081,834

Statutory liquidity

Effective January 1, 2024, the Standards of Sound Business Practices ("SSBP") requires that the Credit Union maintain 8.65% of its total liabilities in specified liquidity deposits, with early adoption permitted. The Credit Union has adopted this change during the 2023 year, therefore maintains 8.65% (2022 - 10%) of its total liabilities in specified liquidity deposits. The provincial regulator for Credit Unions, Credit Union Deposit Guarantee Corporation ("CUDGC"), requires that the Credit Union adhere to these prescribed limits and restrictions. As of December 31, 2023 the Credit Union met the requirement.

Liquidity coverage ratio

The Credit Union has implemented a liquidity coverage ratio ("LCR") which is a regulatory requirement of CUDGC. The objective of the LCR is to ensure that the Credit Union has an adequate stock of unencumbered high-quality liquid assets ("HQLA") that:

- consists of cash or assets that can be converted into cash at little or no loss of value; and
- meets its liquidity needs for a 30-calendar day stress scenario, by which time it is assumed corrective actions have been taken by the Credit Union and/or CUDGC.

This stress scenario noted above is viewed as a minimum requirement. The Credit Union conducts additional stress tests to assess the level of liquidity to hold beyond the regulatory minimum, and constructs scenarios that could cause difficulties for specific business activities. Internal stress tests have longer time horizons and results are reported to CUDGC upon request.

The LCR is calculated as the value of the stock in HQLA in stressed conditions divided by the total net cash outflows over the next 30 calendar days.

As at December 31, 2023, the Credit Union is in compliance with regulatory requirements.

Edam Credit Union Limited
Notes to the Financial Statements
For the year ended December 31, 2023

7. Member loans receivable

Principal and allowance by loan type:

	2023				
	Principal performing	Principal impaired	Allowance specific	Allowance for expected credit losses	Net carrying value
Agriculture loans and mortgages	14,436,390	-	-	25,405	14,410,985
Commercial loans and mortgages	4,374,337	141,095	41,095	32,863	4,441,474
Consumer loans	3,658,432	-	-	5,965	3,652,467
Lines of credit	1,429,088	-	-	9,468	1,419,620
Residential mortgages	22,653,697	-	-	33,368	22,620,329
	46,551,944	141,095	41,095	107,069	46,544,875
Accrued interest	215,291	12,875	12,875	-	215,291
	46,767,235	153,970	53,970	107,069	46,760,166

	2022				
	Principal performing	Principal impaired	Allowance specific	Allowance for expected credit losses	Net carrying value
Agriculture loans	11,939,069	-	-	37,345	11,901,724
Commercial loans	3,964,066	-	-	29,057	3,935,009
Consumer loans	4,162,913	-	-	7,493	4,155,420
Lines of credit	1,520,045	-	-	12,082	1,507,963
Residential mortgages	20,691,782	-	-	32,855	20,658,927
	42,277,875	-	-	118,832	42,159,043
Accrued interest	167,136	-	-	-	167,136
	42,445,011	-	-	118,832	42,326,179

The allowance for loan impairment changed as follows:

	2023	2022
Balance, beginning of year	118,832	131,930
Provision for impaired loans	42,207	14,918
	161,039	146,848
Less: accounts written off, net of recoveries	-	28,016
Balance, end of year	161,039	118,832

Edam Credit Union Limited
Notes to the Financial Statements
For the year ended December 31, 2023

8. Other assets

	2023	2022
Accounts receivable	42,595	910,282
Prepaid expenses and deposits	40,106	32,095
Deferred tax asset (Note 12)	36,842	34,281
	119,543	976,658

9. Property, plant and equipment

	Land	Buildings	Furniture and equipment	Total
Cost				
Balance at December 31, 2021	7,223	1,113,512	383,684	1,504,419
Additions	-	-	3,833	3,833
Disposals	-	-	(372)	(372)
Balance at December 31, 2022	7,223	1,113,512	387,145	1,507,880
Additions	-	-	60,063	60,063
Disposals	-	-	(4,368)	(4,368)
Balance at December 31, 2023	7,223	1,113,512	442,840	1,563,575
Accumulated depreciation				
Balance at December 31, 2021	-	606,660	312,691	919,351
Depreciation	-	48,364	32,244	80,608
Disposals	-	-	(372)	(372)
Balance at December 31, 2022	-	655,024	344,563	999,587
Depreciation	-	48,364	34,732	83,096
Disposals	-	-	(4,368)	(4,368)
Balance at December 31, 2023	-	703,388	374,927	1,078,315
Net book value				
At December 31, 2022	7,223	458,488	42,582	508,293
At December 31, 2023	7,223	410,124	67,913	485,260

10. Line of credit

The Credit Union has an authorized line of credit due on demand, with no fixed repayment date, bearing interest at prime minus 0.5% (6.70% at December 31, 2023), in the amount of \$1,390,000 (2022 - \$1,390,000) from SaskCentral. As at December 31, 2023, \$nil was advanced (2022 - \$nil).

Borrowings are secured by an assignment of book debts, financial services agreement, and an operating account agreement.

Edam Credit Union Limited
Notes to the Financial Statements
For the year ended December 31, 2023

11. Member deposits

	2023	2022
Chequing, savings, plan 24	48,182,642	54,713,065
Registered savings plans	2,737,892	2,387,811
Term deposits	18,181,994	5,242,101
Accrued interest	423,520	93,707
	69,526,048	62,436,684

Member deposits are subject to the following terms:

- Chequing, savings and plan 24 products are payable on demand and bear interest at rates up to 1.25% (2022 - 1.25%).
- Registered savings plans are subject to fixed and variable rates of interest up to 4.75% (2022 - 4.50%), with interest payments due monthly, annually or on maturity.
- Term deposits are subject to fixed and variable rates of interest up to 4.75% (2022 - 4.50%), with interest payments due monthly, annually or on maturity.

12. Income tax

Income tax expense recognized in comprehensive income

The applicable tax rate is the aggregate of the federal income tax rate of 9% on income under the small business limit and 15% on income greater than the small business limit (2022 - 9% and 15%) and the provincial tax rate of 0.50% on income under the small business limit and 12% on income over the small business limit (2022 - 0% and 12%).

In August 2022, the provincial government announced changes to the small business tax rate. The small business income tax rate remained at 0% until June 30, 2023 and increased to 1% effective July 1, 2023. This rate will increase to 2% on July 1, 2024.

Deferred tax recovery recognized in comprehensive income

The deferred tax recovery recognized in comprehensive income for the current year is a result of the following changes:

	2023	2022
Deferred tax asset		
Property, plant and equipment	22,323	20,687
Allowance for impaired loans	14,519	13,594
	36,842	34,281
Deferred tax asset is reflected in the statement of financial position as follows:		
Deferred tax asset	36,842	34,281

Edam Credit Union Limited
Notes to the Financial Statements
For the year ended December 31, 2023

12. Income tax (Continued from previous page)

Reconciliation between average effective tax rate and the applicable tax rate

	2023	2022
Applicable tax rate	27.00 %	27.00 %
Small business deduction	(17.50)%	(18.00)%
Income not eligible for deduction	6.75 %	1.03 %
Non-taxable portion of dividends	- %	(5.32)%
Non-taxable and other items	(0.47)%	(0.22)%
<hr/>		
Average effective tax rate (tax expense divided by profit before tax)	15.78 %	4.49 %

13. Other liabilities

	2023	2022
Accounts payable	84,138	59,669
Corporate income tax payable	78,288	4,997
<hr/>		
	162,426	64,666

14. Membership shares

Authorized:

Unlimited number of Common shares, at an issue price of \$5.

Unlimited number of Surplus shares, at an issue price of \$1.

Issued:

	2023	2022
1,147 Common shares (2022 - 1,117)	5,735	5,585
287,445 Surplus shares (2022 - 292,264)	287,445	292,264
<hr/>		
	293,180	297,849

All common and surplus shares are classified as liabilities.

When an individual becomes a member of the Credit Union, they are issued a common share at \$5 per share. Each member of the Credit Union has one vote, regardless of the number of common shares held.

Surplus shares are established as a means of returning excess earnings to the members and at the same time increasing the Credit Union's equity base. The Articles of Incorporation for the Credit Union disclose the conditions concerning surplus shares.

During the year, the Credit Union issued 68 (2022 - 72) and redeemed 38 common shares (2022 - 27), and also issued 8,872 (2022 - 8,418) and redeemed 13,691 (2022 - 4,752) surplus shares.

Edam Credit Union Limited
Notes to the Financial Statements
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15. Patronage

The Credit Union declared a patronage refund payable in the amount of \$100,000 on December 21, 2023 (2022 - \$100,000), to be paid by cash to the members based on lending and deposit business and as a rebate of service charges, for the year ended December 31, 2023.

The patronage refund of \$100,000 (2022 - \$100,000) has been reflected in the statement of comprehensive income with related tax savings of approximately \$27,000 (2022 - \$27,000) being reflected in the current year's provision for income taxes.

16. Related party transactions

Key management compensation of the Credit Union

Key management personnel ("KMP") of the Credit Union are the General Manager and members of the Board of Directors. KMP remuneration includes the following expenses:

	2023	2022
Salaries and short-term benefits	132,798	163,308
Other long-term benefits	8,361	10,650
	141,159	173,958

Transactions with key management personnel

The Credit Union, in accordance with its policy, may grant credit to its directors, management and staff at concessional rates of interest on their loans and facilities.

Loans made to KMP are approved under the same lending criteria applicable to members and are included in member loans on the statement of financial position. There are no loans to KMP that are impaired.

Directors, management and staff of the Credit Union hold deposit accounts. These accounts are maintained under the same terms and conditions as accounts of other members, and are included in deposit accounts on the statement of financial position.

There are no benefits or concessional terms and conditions applicable to the family members of KMP.

These loans and deposits were made in the normal course of operations and are measured at the exchange amount, which is the consideration established and agreed to by the related parties.

	2023	2022
Aggregate loans to KMP	1,820,462	1,330,351
Aggregate revolving credit facilities to KMP	537,000	427,000
Less: approved and undrawn lines of credit	(505,749)	(336,790)
	1,851,713	1,420,561

Edam Credit Union Limited
Notes to the Financial Statements
For the year ended December 31, 2023

16. Related party transactions *(Continued from previous page)*

	2023	2022
During the year the aggregate value of loans and lines of credit approved to KMP amounted to:		
Mortgages	345,000	150,555
Loans	-	63,859
	345,000	214,414
Income and expense transactions with KMP consisted of:		
Interest earned on loans and revolving credit facilities to KMP	84,807	62,407
Interest paid on deposits to KMP	5,082	3,258
	2023	2022
The total value of member deposits from KMP as at the year-end:		
Chequing and demand deposits	822,737	1,030,037
Term deposits	40,209	73,831
Registered plans	23,928	50,438
	886,874	1,154,306

Directors' fees and expenses

	2023	2022
Directors' expenses	3,017	2,702
Meeting, training and conference costs	5,128	-

SaskCentral

The Credit Union is a member of SaskCentral, which acts as a depository for surplus funds received from and loans made to credit unions. SaskCentral also provides other services for a fee to the Credit Union and acts in an advisory capacity.

Interest and dividends earned on investments during the year ended December 31, 2023 amounted to \$939,999 (2022 - \$1,287,363 of which \$866,084 related to the dividend accrued from SaskCentral in relation to the sale of Concentra Bank shares).

Interest paid on borrowings during the year ended December 31, 2023 amounted to \$1,736 (2022 - \$1,072).

Payments made for affiliation dues for the year ended December 31, 2023 amounted to \$1,764 (2022 - \$1,414).

17. Capital management

A capital management framework is included in policies and procedures established by the Board of Directors. The Credit Union's objectives when managing capital are to:

- Adhere to regulatory capital requirements as minimum benchmarks;
- Co-ordinate strategic risk management and capital management;
- Develop financial performance targets/budgets/goals;
- Administer a patronage program that is consistent with capital requirements;
- Administer an employee incentive program that is consistent with capital requirements; and
- Develop a growth strategy that is coordinated with capital management requirements.

17. Capital management *(Continued from previous page)*

CUDGC prescribes capital adequacy measures and minimum capital requirements. The capital adequacy rules issued by CUDGC have been based on the Basel III framework, consistent with the financial industry in general.

The Credit Union follows a risk-weighted asset calculation for credit and operational risk. Under this approach, credit unions are required to measure capital adequacy in accordance with instructions for determining risk-adjusted capital and risk-weighted assets, including off-balance sheet commitments. Based on the prescribed risk of each type of asset, a weighting of 0% to 1,250% is assigned. The ratio of regulatory capital to risk-weighted assets is calculated and compared to the standard outlined by CUDGC. Regulatory standards require credit unions to maintain a minimum total eligible capital to risk-weighted assets of 8%, a minimum tier 1 capital to risk-weighted assets of 6% and a minimum common equity tier 1 capital to risk-weighted assets of 4.5%. In addition to the minimum capital ratios, the Credit Union is required to hold a capital conservation buffer of 2.5%. The capital conservation buffer is designed to avoid breaches of the minimum capital requirement. Eligible capital consists of total tier 1 and tier 2 capital.

Tier 1 capital is defined as a credit union's primary capital and comprises the highest quality of capital elements while tier 2 is secondary capital and falls short of meeting tier 1 requirements for permanence or freedom from mandatory charges. Tier 1 capital consists of two components: common equity tier 1 capital and additional tier 1 capital. Common equity tier 1 capital includes retained earnings, contributed surplus and accumulated other comprehensive income ("AOCI"). Deductions from common equity tier 1 capital include goodwill, intangible assets, deferred tax assets (except those arising from temporary differences), increases in equity capital resulting from securitization transactions, unconsolidated substantial investments and fair value gains/losses on own-use property. Additional tier 1 capital consists of qualifying membership shares and other investment shares issued by the Credit Union that meet the criteria for inclusion in additional tier 1 capital.

Tier 2 capital includes a collective allowance for credit losses to a maximum of 1.25% of risk-weighted assets, subordinated indebtedness, and qualifying membership shares or other investment shares issued by the Credit Union that meet the criteria for inclusion in tier 2 capital and are not included in tier 1 capital.

Regulatory standards also require the Credit Union to maintain a minimum leverage ratio of 5%. This ratio is calculated by dividing eligible capital by total assets less deductions from capital plus specified off-balance sheet exposures. Based on the type of off-balance sheet exposure, a conversion factor is applied to the leverage ratio.

The Credit Union has adopted a capital plan that conforms to the capital framework and is regularly reviewed and approved by the Board of Directors. The following table compares CUDGC regulatory standards to the Credit Union's board standards for 2023:

	Regulatory standards	Board standards
Total eligible capital to risk-weighted assets	10.50 %	11.50 %
Total tier 1 capital to risk-weighted assets	8.50 %	16.00 %
Common equity tier 1 capital to risk-weighted assets	7.00 %	16.00 %
Leverage ratio	5.00 %	6.50 %

During the year, the Credit Union complied with all internal and external capital requirements.

The following table summarizes key capital information:

	2023	2022
Eligible capital		
Common equity tier 1 capital	8,908,632	8,113,735
Additional tier 1 capital	-	-
<hr/>		
Total tier 1 capital	8,908,632	8,113,735
Total tier 2 capital	400,249	416,681
<hr/>		
Total eligible capital	9,308,881	8,530,416

17. Capital management *(Continued from previous page)*

Risk-weighted assets

Total eligible capital to risk-weighted assets	25.72 %	25.79 %
Total tier 1 capital to risk-weighted assets	24.61 %	24.53 %
Common equity tier 1 capital to risk-weighted assets	24.61 %	24.53 %
Leverage ratio	11.71 %	11.98 %

18. Financial instruments

The Credit Union, as part of its operations, carries a number of financial instruments which result in exposure to the following risks: credit risk, market risk and liquidity risk.

Accordingly, the Credit Union has established avoidance of undue concentrations of risk, hedging of risk exposures, and requirements for collateral to mitigate credit risk as risk management objectives. In seeking to meet these objectives, the Credit Union follows risk management policies approved by its Board of Directors.

The Credit Union's risk management policies and procedures include the following:

- Ensure all activities are consistent with the mission, vision and values of the Credit Union
- Balance risk and return
- Manage credit, market and liquidity risk through preventative and detective controls
- Ensure credit quality is maintained
- Ensure credit, market, and liquidity risk is maintained at acceptable levels
- Diversify risk in transactions, member relationships and loan portfolios
- Price according to risk taken, and
- Use consistent credit risk exposure tools.

Various Board of Directors committees are involved in financial instrument risk management oversight, including the Audit and Risk Committee and Conduct Review Committee.

There have been no significant changes from the previous year in the Credit Union's risks to which it is exposed or its general policies and procedures for managing risk.

Credit risk

Credit risk is the risk of financial loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations to the Credit Union. Credit risk primarily arises from member loans receivable.

Risk management process

Credit risk management is integral to the Credit Union's activities. Management and the Board of Directors are responsible for developing and implementing the credit risk management practices of the Credit Union by establishing the relevant policies and procedures. Management carefully monitors and manages the Credit Union's exposure to credit risk by reviewing member credit extension policies and guidelines and reviewing the performance of loan portfolios, including default events and past due status. The risk management process starts at the time of a member credit application and continues until the loan is fully repaid. The primary credit risk management policies and procedures include the following:

- Loan security (collateral) requirements
 - Security valuation processes, including method used to determine the value of real property and personal property when that property is subject to a mortgage or other charge
 - Maximum loan to value ratios where a mortgage or other charge on real or personal property is taken as security
- Borrowing member capacity (repayment ability) requirements
- Borrowing member character requirements
- Limits on aggregate credit exposure per individual and/or related parties
- Limits on concentration of credit risk by loan type, industry and economic sector
- Limits on the types of credit facilities and services offered
- Internal loan approval processes and loan documentation standards

18. Financial instruments *(Continued from previous page)*

- Loan re-negotiation, extension and renewal processes
- Processes that identify adverse situations and trends, including risks associated with economic, geographic and industry sectors
- Control and monitoring processes including portfolio risk identification and delinquency tolerances
- Timely loan analysis processes to identify, assess and manage delinquent and impaired loans
- Collection processes that include action plans for deteriorating loans
- Overdraft control and administration processes
- Loan syndication processes

The Credit Union's credit risk policies, processes and methodologies are reviewed periodically to ensure they remain relevant and effective in managing credit risk.

To meet the needs of its members and to manage its own exposure to fluctuations in interest rates, the Credit Union participates in various commitments and contingent liability contracts. The primary purpose of these contracts is to make funds available for the financing needs of members. These are subject to normal credit standards, financial controls, risk management and monitoring procedures. The contractual amounts of these credit instruments represents the maximum credit risk exposure without taking into account the fair value of any collateral, in the event other parties fail to perform their obligations under these instruments.

The Credit Union makes the following instruments available to its members:

- Guarantees and standby letters of credit representing irrevocable assurances that the Credit Union will pay if a member cannot meet their obligations to a third party; and
- Commitments to extend credit representing unused portions of authorizations to extend credit in the form of loans (including lines of credit and credit cards), guarantees or letters of credit

The amounts shown on the table below do not necessarily represent future cash requirements since many commitments will expire or terminate without being funded.

As at year-end, the Credit Union had the following outstanding financial instruments subject to credit risk:

	2023	2022
Unadvanced lines of credit	7,262,053	5,969,308
Guarantees and standby letters of credit	-	40,000
<u>Commitments to extend credit</u>	570,941	279,420
	7,832,994	6,288,728

Inputs, assumptions and techniques

Definition of default and assessments of credit risk

Financial instruments are assessed at each reporting date for a significant increase in credit risk since initial recognition. This assessment considers changes in the risk of a default occurring at the reporting date as compared to the date of initial recognition.

The Credit Union considers member loans receivable to be in default when contractual payments are more than 90 days past due or other objective evidence of impairment exists, such as notification from the borrower or breach of major covenants. This definition is consistent with the definitions used for the Credit Union's internal credit risk management practices and has been selected because it most closely aligns the definition of default to the Credit Union's past credit experience, and the covenants placed in standard borrowing contracts. Relatively few financial instruments subsequently return to performing status after a default has occurred under this definition without further intervention on the part of the Credit Union.

18. Financial instruments *(Continued from previous page)*

Changes in credit risk are assessed on the basis of the risk that a default will occur over the contractual lifetime of the financial instrument rather than based on changes in the amount of expected credit losses or other factors. In making this assessment the Credit Union takes into account all reasonable and supportable information, including forward-looking information, available without undue cost or effort. The Credit Union considers past due information of its balances and information about the borrower available through regular commercial dealings, such as requests for loan modifications.

The credit risk of a financial instrument is deemed to have significantly increased since initial recognition when contractual payments have exceeded 30 days past due, or other information becomes available to management (through the course of regular credit reviews, communication with the borrower or forecasting processes which consider macroeconomic conditions expected to have a future impact on borrowers). The Credit Union considers there not to have been a significant increase in credit risk despite contractual payments being more than 30 days past due when they have interviewed the borrower and determined that payment is forthcoming.

The Credit Union identifies credit-impaired financial assets through regular reviews of past due balances and credit assessments of its members. Credit-impaired financial assets are typically placed on the Credit Union's watch list based on its internal credit risk policies. In making this assessment, the Credit Union considers past due information of its balances and information about the borrower available through regular commercial dealings.

Measurement of expected credit losses

The Credit Union measures expected credit losses, or ECL's, for member loans receivable on a group basis. These assets are grouped on the basis of their shared risk characteristics such as loan type (residential mortgages, commercial loans/mortgages, agricultural loans/mortgages, personal loans and lines of credit). Otherwise, expected credit losses are measured on an individual basis.

When measuring 12-month and lifetime expected credit losses, the Credit Union utilizes complex modelling, which uses current banking system loan data to assess probability of default, exposure at default, loss given default and present value calculations. Forward-looking information is incorporated into the determination of expected credit loss by considering regional economic journals and forecasts, collecting information available from regular commercial dealings with its members and other publicly available information and considering the effect such information could have on any assumptions or inputs used in the measurement of expected credit losses, determining significant increases in credit risk or identifying a credit-impaired financial asset.

Significant judgments, estimates and assumptions are required when calculating the expected credit losses of financial assets. In measuring the 12-month and lifetime expected credit losses, management makes assumptions about prepayments, the timing and extent of missed payments or default events. In addition, management makes assumptions and estimates about the impact that future events may have on the historical data used to measure expected credit losses.

The Credit Union has run a number of simulations on its collective allowance, incorporating assumptions about the resulting macroeconomic impacts of inflation and interest rate changes, based on information and facts available at December 31, 2023. The macroeconomic factors that affect the Credit Union's expected credit loss calculations are: Saskatchewan unemployment rates, provincial housing starts, national interest rates, national GDP growth, and national oil prices. Each factor is forecasted in a base case, a best case and a worst case scenario. These scenarios are weighted, and the weighted average is used to build the estimate for expected credit losses. Key assumptions of the simulations are flat to decreasing interest rates, inflationary pressures, the quality of credit, and the borrower's future ability to service debt. The information for these assumptions is based off 2023 economic forecasts. These assumptions were shocked up and down 10-30% in the best and worst case scenario.

The typical weighting used in the model is 80% base, 10% best and 10% worst case, as the base case is historically the most likely scenario. Due to uncertainties around the macroeconomic environment, the weightings chosen at December 31, 2022 and December 31, 2023 were adjusted to 50% base, 10% best and 40% worst case.

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For the year ended December 31, 2023

18. Financial instruments *(Continued from previous page)*

Write-offs

Financial assets are written off when there is no reasonable expectation of recovery. The Credit Union assesses that there is no reasonable expectation of recovery when the security relating to the loan has been sold and there are remaining amounts outstanding or the borrower has filed for bankruptcy and the trustee has indicated that no additional funds will be paid. Where information becomes available indicating the Credit Union will receive funds, such amounts are recognized at their fair value.

Exposure to credit risk

The following table sets out information about the credit quality of financial assets assessed for impairment under IFRS 9. The amounts in the table, unless otherwise indicated, represent the assets' gross carrying amount.

Except as noted below, the gross carrying amount of financial assets represents the maximum exposure to credit risk for that class of financial asset.

	2023		
	12-month ECL	Lifetime ECL (credit impaired)	Total
Consumer loans			
Low risk	3,658,432	-	3,658,432
Total gross carrying amount	3,658,432	-	3,658,432
Less: loss allowance	5,965	-	5,965
Total carrying amount	3,652,467	-	3,652,467
Residential mortgages			
Low risk	22,653,697	-	22,653,697
Total gross carrying amount	22,653,697	-	22,653,697
Less: loss allowance	33,368	-	33,368
Total carrying amount	22,620,329	-	22,620,329
Commercial loans and mortgages			
Low risk	4,374,337	-	4,374,337
Default	-	141,095	141,095
Total gross carrying amount	4,374,337	141,095	4,515,432
Less: loss allowance	32,863	53,970	86,833
Total carrying amount	4,341,474	87,125	4,428,599
Agricultural loans and mortgages			
Low risk	14,436,390	-	14,436,390
Total gross carrying amount	14,436,390	-	14,436,390
Less: loss allowance	25,405	-	25,405
Total carrying amount	14,410,985	-	14,410,985

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For the year ended December 31, 2023

18. **Financial instruments** *(Continued from previous page)*

	2023		<i>Total</i>
	<i>12-month ECL</i>	<i>Lifetime ECL (credit impaired)</i>	
Lines of credit			
Low risk	1,429,088	-	1,429,088
Total gross carrying amount	1,429,088	-	1,429,088
Less: loss allowance	9,468	-	9,468
Total carrying amount	1,419,620	-	1,419,620
Total			
Low risk	46,551,944	-	46,551,944
Default	-	141,095	141,095
Total gross carrying amount	46,551,944	141,095	46,693,039
Less: loss allowance	107,069	53,970	161,039
Total carrying amount	46,444,875	87,125	46,532,000
		2022	
		<i>Lifetime ECL (credit impaired)</i>	
	<i>12-month ECL</i>	<i>12-month ECL</i>	<i>Total</i>
Consumer loans and lines of credit			
Low risk	4,315,152	-	4,315,152
Total gross carrying amount	4,315,152	-	4,315,152
Less: loss allowance	7,908	-	7,908
Total carrying amount	4,307,244	-	4,307,244
Residential mortgages			
Low risk	20,691,782	-	20,691,782
Total gross carrying amount	20,691,782	-	20,691,782
Less: loss allowance	32,855	-	32,855
Total carrying amount	20,658,927	-	20,658,927
Commercial loans and lines of credit			
Low risk	4,119,080	-	4,119,080
Total gross carrying amount	4,119,080	-	4,119,080
Less: loss allowance	35,634	-	35,634
Total carrying amount	4,083,446	-	4,083,446
Agriculture loans and lines of credit			
Low risk	13,151,861	-	13,151,861
Total gross carrying amount	13,151,861	-	13,151,861
Less: loss allowance	42,435	-	42,435
Total carrying amount	13,109,426	-	13,109,426

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For the year ended December 31, 2023

18. Financial instruments *(Continued from previous page)*

	2022		
	12-month ECL	Lifetime ECL (credit impaired)	Total
Total			
Low risk	42,277,875	-	42,277,875
Default	-	-	-
Total gross carrying amount	42,277,875	-	42,277,875
Less: loss allowance	118,832	-	118,832
Total carrying amount	42,159,043	-	42,159,043

Concentrations of credit risk

Concentration of credit risk exists if a number of borrowers are exposed to similar economic risks by being engaged in similar economic activities or being located in the same geographical region, and indicate the relative sensitivity of the Credit Union's performance to developments affecting a particular segment of borrowers or geographical region. Geographical risk exists for the Credit Union due to its primary service area being Edam, Saskatchewan and surrounding areas.

Amounts arising from expected credit losses

Reconciliation of the loss allowance

The following tables show a reconciliation of the opening to the closing balance of the loss allowance by class of financial instrument.

	12-month ECL	Lifetime ECL (credit impaired)	Total
Consumer loans			
Balance at January 1, 2022	7,014	-	7,014
Net remeasurement of loss allowance	894	-	894
Balance at December 31, 2022	7,908	-	7,908
Net remeasurement of loss allowance	(1,943)	-	(1,943)
Balance at December 31, 2023	5,965	-	5,965
Residential mortgages			
Balance at January 1, 2022	25,997	-	25,997
Net remeasurement of loss allowance	6,858	-	6,858
Balance at December 31, 2022	32,855	-	32,855
Net remeasurement of loss allowance	513	-	513
Balance at December 31, 2023	33,368	-	33,368
Commercial loans and mortgages			
Balance at January 1, 2022	29,255	27,000	56,255
Net remeasurement of loss allowance	6,379	(27,000)	(20,621)
Balance at December 31, 2022	35,634	-	35,634
Net remeasurement of loss allowance	(2,771)	53,970	51,199
Balance at December 31, 2023	32,863	53,970	86,833

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18. **Financial instruments** *(Continued from previous page)*

	<i>12-month ECL</i>	<i>Lifetime ECL (credit impaired)</i>	<i>Total</i>
Agricultural loans and mortgages			
Balance at January 1, 2022	42,664	-	42,664
Net remeasurement of loss allowance	(229)	-	(229)
Balance at December 31, 2022	42,435	-	42,435
Net remeasurement of loss allowance	(17,030)	-	(17,030)
Balance at December 31, 2023	25,405	-	25,405
Lines of credit			
Balance at January 1, 2022	-	-	-
Net remeasurement of loss allowance	-	-	-
Balance at December 31, 2022	-	-	-
Net remeasurement of loss allowance	9,468	-	9,468
Balance at December 31, 2023	9,468	-	9,468
Total			
Balance at January 1, 2022	104,930	27,000	131,930
Net remeasurement of loss allowance	13,902	(27,000)	(13,098)
Balance at December 31, 2022	118,832	-	118,832
Net remeasurement of loss allowance	(11,763)	53,970	42,207
Balance at December 31, 2023	107,069	53,970	161,039

Financial instruments for which the impairment requirements of IFRS 9 do not apply

The carrying amount of SaskCentral and Concentra Bank shares, as disclosed in Note 6, best represents the Credit Union's maximum exposure to credit risk for those items. The Credit Union holds no collateral or other credit enhancements for these balances.

Market risk

Market risk is the risk of loss in value of financial instruments that may arise from changes in market factors such as interest rates, equity prices and credit spreads. The Credit Union's exposure changes depending on market conditions. Market risks that have a significant impact on the Credit Union include fair value risk and interest rate risk.

Market risk arises from changes in interest rates that affect the Credit Union's net interest income. Exposure to this risk directly impacts the Credit Union's income from its loan and deposit portfolios. The Credit Union's objective is to earn an acceptable net return on these portfolios, without taking unreasonable risk, while meeting member needs.

Risk measurement

The Credit Union's risk position is measured and monitored each month to ensure compliance with policy. Management provides quarterly reports on these matters to the Credit Union's Board of Directors.

Objectives, policies and processes

Management is responsible for managing the Credit Union's interest rate risk, monitoring approved limits and compliance with policies. The Credit Union manages market risk by developing and implementing asset and liability management policies, which are approved and periodically reviewed by the Board of Directors.

The Credit Union's goal is to achieve adequate levels of profitability, liquidity and safety. The Board of Directors reviews the Credit Union's investment and asset-liability management policies periodically to ensure they remain relevant and effective in managing and controlling risk.

18. Financial instruments *(Continued from previous page)*

Interest rate risk

Interest rate risk is the sensitivity of the Credit Union's financial condition to movements in interest rates. Cash flow interest rate risk is the risk that the future cash flows of the Credit Union's financial instruments will fluctuate due to changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in prevailing market interest rates. Interest margins reported in comprehensive income may increase or decrease in response to changes in market interest rates. The Credit Union incurs interest rate risk on its loans and other interest bearing financial instruments.

In managing interest rate risk, the Credit Union relies primarily upon use of asset - liability and interest rate sensitivity simulation models, which is monitored by the Credit Union. Periodically, the Credit Union may enter into interest rate swaps to adjust the exposure to interest rate risk by modifying the repricing of the Credit Union's financial instruments.

Sensitivity analysis is used to assess the change in value of the Credit Union's financial instruments against a range of incremental basis point changes in interest rates over a twelve month period. Interest rate shock analysis is calculated in a similar manner to sensitivity analysis but involves a more significant change of 100 basis points or greater in interest rates. Sensitivity analysis and interest rate shock analysis are calculated on a quarterly basis and are reported to the Board of Directors. Based on current differences between financial assets and financial liabilities as at year-end, the Credit Union estimates that an immediate and sustained 100 basis point increase in interest rates would decrease net interest margin by \$66,637 (2022 - increase of \$2,157) over the next 12 months while an immediate and sustained 100 basis point decrease in interest rates would increase net interest margin by \$66,637 (2022 - decrease of \$2,157) over the next 12 months.

Other types of interest rate risk are basis risk (the risk of loss arising from changes in the relationship of interest rates which have similar but not identical characteristic; for example, the difference between prime rates and the Canadian Deposit Offering Rate) and prepayment risk (the risk of loss of interest income arising from the early repayment of fixed rate mortgages and loans), both of which are monitored on a regular basis and are reported to the Board of Directors.

The Credit Union's major source of income is financial margin which is the difference between interest earned on investments and loans to members and interest paid to members on their deposits. The objective of managing the financial margin is to match repricing or maturity dates of loans and investments and member deposits within policy limits. These limits are intended to limit the Credit Union's exposure to changing interest rates and to wide fluctuations of income during periods of changing interest rates. The differential represents the net mismatch between loans and investments and member deposits for those particular maturity dates. Certain items on the statement of financial position, such as non-interest bearing member deposits and equity do not provide interest rate exposure to the Credit Union. These items are reported as non-interest rate sensitive in the table below.

Amounts with variable interest rates, or due on demand, are classified as on demand.

A significant amount of member loans receivable and member deposits can be settled before maturity on payment of a penalty. No adjustment has been made for repayments that may occur prior to maturity.

Interest rate sensitivity

In the table below, the carrying amounts of financial instruments are presented in the periods in which they next reprice to market rates or mature and are summed to show the net interest rate sensitivity gap.

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18. **Financial instruments** (Continued from previous page)

Contractual repricing and maturity

All financial instruments are reported in the schedule below based on the earlier of their contractual repricing date or maturity date. The schedule below does not identify management's expectations of future events where repricing and maturity dates differ from contractual dates.

	<i>(In thousands)</i>					2023	2022
	On demand	Within 3 months	Over 3 months to 1 year	Over 1 year	Non-interest sensitive	Total	Total
Assets							
Cash and cash equivalents	4,597	-	-	-	1,330	5,927	9,932
Average yield %	5.01	-	-	-	-	3.89	3.75
Investments	-	4,000	4,500	15,616	1,482	25,598	17,170
Average yield %	-	3.11	5.42	4.38	-	4.11	1.52
Member loans receivable	8,682	1,211	5,365	31,294	208	46,760	42,326
Average yield %	6.87	7.17	5.81	5.09	-	5.54	4.85
Accounts receivable	-	-	-	-	43	43	910
	13,279	5,211	9,865	46,910	3,063	78,328	70,338
Liabilities							
Member deposits	32,622	6,993	9,319	4,522	16,070	69,526	62,437
Average yield %	1.00	2.53	4.26	2.97	-	1.49	0.86
Accounts payable	-	-	-	-	84	84	60
Membership shares	-	-	-	-	293	293	298
	32,622	6,993	9,319	4,522	16,447	69,903	62,795
Net sensitivity	(19,343)	(1,782)	546	42,388	(13,384)	8,425	7,543

Liquidity risk

Liquidity risk is the risk that the Credit Union cannot meet a demand for cash or fund its obligations as they come due. The Credit Union's management oversees the Credit Union's liquidity risk to ensure the Credit Union has access to enough readily available funds to cover its financial obligations as they come due. The Credit Union's business requires such liquidity for operating and regulatory purposes. Refer to Note 6 for further information about the Credit Union's regulatory requirements.

As at December 31, 2023, one (2022 - one) member holds approximately 20.24% (2022 - 16.97%) of the Credit Union's total deposits. The Credit Union believes that there is no unusual exposure associated with this deposit concentration. This risk is mitigated by the remainder of deposits being spread across many members.

Liquidity risk is managed through a three tiered structure consisting of the local Credit Union level, the provincial Credit Union level and the national Credit Union level.

Locally, the Credit Union manages its liquidity position from three perspectives:

- Structural liquidity risk, which addresses the risk due to mismatches in effective maturities between assets and liabilities, more specifically the risk of over reliance on short-term liabilities to fund long-term illiquid assets;
- Tactical liquidity risk, which addresses the day-to-day funding requirements that are managed by imposing prudential limits on net fund outflows;
- Contingent liquidity risk, which assess the impact of sudden stressful events and the Credit Union's responses thereto.

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18. Financial instruments *(Continued from previous page)*

The primary liquidity risk policies and procedures include the following:

- Liquidity risk management framework to measure and control liquidity risk exposure;
- Measurement of cashflows;
- Maintain a line of credit and borrowing facility with SaskCentral;
- Maintenance of a pool of high quality liquid assets;
- Monitoring of single deposits and sources of deposits;
- Monitoring of term deposits; and
- Contingency planning.

Provincially, SaskCentral manages a statutory liquidity pool of marketable investment securities on behalf of Saskatchewan Credit Unions to facilitate clearing and settlement, daily cash flow management and emergency liquidity support. Nationally, credit union centrals are represented by one central which acts as the Group Clearer, Central 1 Credit Union. The Group Clearer is a member of the Canadian Payments Association and pools provincial cash flows to settle with the Bank of Canada.

The following table details contractual maturities of financial liabilities:

As at December 31, 2023:

	<i>(In thousands)</i>			
	< 1 year	1-2 years	> 2 years	Total
Member deposits	65,004	2,351	2,171	69,526
Accounts payable	84	-	-	84
Membership shares	-	-	293	293
	65,088	2,351	2,464	69,903

As at December 31, 2022:

	<i>(In thousands)</i>			
	< 1 year	1-2 years	> 2 years	Total
Member deposits	58,247	1,318	2,872	62,437
Accounts payable	60	-	-	60
Membership shares	-	-	298	298
	58,307	1,318	3,170	62,795

The Credit Union manages liquidity risk on a net asset and liability basis. The following tables explain the contractual maturities of financial assets held for the purpose of managing liquidity risk.

As at December 31, 2023:

	<i>(In thousands)</i>			
	< 1 year	1-2 years	> 2 years	Total
Cash and cash equivalents	5,927	-	-	5,927
Investments	9,982	13,616	2,000	25,598
Member loans receivable	15,466	3,899	27,395	46,760
Accounts receivable	43	-	-	43
	31,418	17,515	29,395	78,328

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18. Financial instruments *(Continued from previous page)*

As at December 31, 2022:

	<i>(In thousands)</i>			
	< 1 year	1-2 years	> 2 years	Total
Cash and cash equivalents	9,932	-	-	9,932
Investments	10,554	2,000	4,616	17,170
Member loans receivable	14,310	5,538	22,478	42,326
Accounts receivable	910	-	-	910
	35,706	7,538	27,094	70,338

19. Fair value measurements

The Credit Union classifies fair value measurements recognized in the statement of financial position using a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Quoted prices (unadjusted) are available in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly
- Level 3: Unobservable inputs for which there is little or no market data and which require the Credit Union to develop its own assumptions

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is assessed to be significant to that fair value measurement. This assessment requires the use of judgment in considering factors specific to an asset or a liability and may affect the placement of the fair value measurement within the hierarchy.

The Credit Union considers a fair value measurement to have transferred between the levels in the fair value hierarchy on the beginning of the reporting period, the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2, as well as no transfers into or out of Level 3 during the period.

In determining fair value measurements, the Credit Union uses net present value valuation techniques and inputs consisting of actual balances, actual rates, market rates (for similar instruments) and payment frequency.

Financial assets and financial liabilities measured at fair value

The Credit Union's financial assets and financial liabilities measured at fair value in the statement of financial position on a recurring basis have been categorized into the fair value hierarchy as follows:

<i>(In thousands)</i>	Fair value	Level 1	Level 2	2023 Level 3
Financial assets				
Cash	1,330	1,330	-	-
SaskCentral and Concentra Bank shares	1,227	-	-	1,227
Other equity instruments	20	-	-	20
	2,577	1,330	-	1,247

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19. **Fair value measurements** (Continued from previous page)

<i>(In thousands)</i>	<i>Fair value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>2022 Level 3</i>
Financial assets				
Cash	1,156	1,156	-	-
SaskCentral and Concentra Bank shares	1,446	-	-	1,446
Other equity instruments	20	-	-	20
	2,622	1,156	-	1,466

For fair value measurements of Level 3 SaskCentral and Concentra Bank shares, the Credit Union has assumed that the fair value of the amounts is comparable to their amortized cost, which equals the par value of the shares. The shares are not quoted or traded, however when new shares are offered the price remains the same as the par value of all currently available shares. There was no impact of the measurement on profit or loss for the year.

Financial instruments not measured at fair value

The carrying amount, fair value, and categorization into the fair value hierarchy of all other financial assets and financial liabilities held by the Credit Union and not measured at fair value on the statement of financial position are as follows:

<i>(In thousands)</i>	<i>Carrying amount</i>	<i>Fair value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>2023 Level 3</i>
Financial assets measured at amortized cost					
Cash equivalents	4,597	4,597	4,597	-	-
Investments	24,351	24,361	-	24,361	-
Member loans receivable	46,760	45,512	-	45,512	-
Accounts receivable	43	43	-	43	-
	75,751	74,513	4,597	69,916	-

Financial liabilities measured at amortized cost

Member deposits	69,526	69,471	-	69,471	-
Accounts payable	84	84	-	84	-
Membership shares	293	293	-	-	293
	69,903	69,848	-	69,555	293

<i>(In thousands)</i>	<i>Carrying amount</i>	<i>Fair value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>2022 Level 3</i>
Financial assets measured at amortized cost					
Cash equivalents	8,776	8,776	8,776	-	-
Investments	15,704	15,268	-	15,268	-
Member loans receivable	42,326	41,057	-	41,057	-
Accounts receivable	910	910	-	910	-
	67,716	66,011	8,776	57,235	-

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For the year ended December 31, 2023

19. Fair value measurements *(Continued from previous page)*

<i>(In thousands)</i>	<i>Carrying amount</i>	<i>Fair value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
Financial liabilities measured at amortized cost					
Member deposits	62,437	62,293	-	62,293	-
Accounts payable	60	60	-	60	-
Membership shares	298	298	-	-	298
	62,795	62,651	-	62,353	298

Level 2 and Level 3 fair value measurements for financial instruments not measured at fair value

Valuation techniques and inputs for Level 2 and Level 3 fair value measurements are as follows:

All Level 2 fair value measurements use a net present value valuation technique and inputs consisting of actual balances, actual rates, market rates (for similar instruments) and payment frequency.

As there is no observable market data for all fair values disclosed and categorized within Level 3 of the hierarchy, the Credit Union has assumed that the fair value of the amounts is comparable to their amortized cost.

20. Commitments

In 2016, the Credit Union entered into a seven year commitment with Celero for the provision of retail banking services. The annual operating fee is calculated based on the average number of outstanding accounts throughout the year. The annual operating fees for the year ended December 31, 2023 were \$52,531 (2022 - \$48,112) and recorded as an expense. The annual estimated fee for the year ended December 31, 2024 is \$54,945 (2023 - \$52,531).