Raymore Credit Union Credit Union





Annual Report 2021





Incorporated November 25, 1949 - Charter No. 228
Annual General Meeting Agenda
April 18, 2022 - 5:00 p.m.
Raymore Baptist Church Basement

# <u>Agenda</u>

- 1. Registration
- 2. Call to Order
- 3. Adoption of Agenda
- 4. Minutes of Meetings AGM April 19, 2021
- 5. Business Arising
- 6. Reports:
  - Financial Report
  - Management Discussion & Analysis
  - Board of Directors Report
- 7. Appointment of Auditor for 2022
- 8. Election Results
- 9. Adjournment





# Incorporated November 25, 1949 – Charter No. 228 72nd Annual General Meeting | April 19, 2021 – Virtual | 5:00 p.m.

# Minutes

- 1. Registration 31 members and 2 guests attended virtually Registration list attached.
- 2. Call to Order Gary Orthner at 5:01 p.m.
- 3. Adoption of Agenda Amy Bott moved that the agenda be adopted as presented. Seconded by Janet Breti. Carried.
- 4. Minutes of Meetings AGM June 29, 2020 Steven Trew motioned to approve the as presented. Seconded by Jennifer MacTavish. Carried.
- 5. Business Arising Nothing arising.
- 6. Reports The annual report was emailed to all members as a pre-read. There were no questions.
  - Financial Report Typo error on Page 2 of summary financial statements Correction \$629,315, Error \$929,315 corrected statements were emailed out this afternoon to all registered members and guests.
  - Management Discussion & Analysis
  - Board of Directors Report

Adoption of Reports - Amy Bott motioned to adopt the reports presented by Gary Orthner. Seconded by Heather MacMurchy. Carried.

- 7. Appointment of Auditor for 2021 Jennifer Senft motioned to appoint MNP as auditors for 2021. Seconded by Jennifer MacTavish. Carried.
- 8. Election Results Amanda Kihn reported that there was 1 nomination brought forward for the 2 vacancies. Lora Lynn Digney-Davis was elected by acclamation to the Board of Directors. Amanda Kihn motioned to accept the Election results as presented. Seconded by Darren Frisko. Carried.

Question from Courtney Orthner- does the 7<sup>th</sup> director seat remain open? Gary replied that a decision will be discussed regarding that at the first Board of Director Meeting. Frisko reported that according to the RCU Bylaws, the Board has the ability to appoint

a director for a one-year term to fill a vacancy; however our bylaws do allow us to have a range of 5 to 9 directors.

9. Bylaw Amendments - Note only 1 change to the bylaws - 6.11 (d) - announcement of results of voting to approve a fundamental change - changes from "next business day" to "within three business days". Rest of the changes are housekeeping and grammar corrections.

Amy Bott motioned to rescind and replace the Bylaws of Raymore Credit Union. Seconded by Heather MacMurchy. Be it resolved, the motion to rescind and replace the Bylaws of Raymore Credit Union are hereby approved.

10. Adjournment - 5:10 pm. Adjourned by Steven Trew.

Chairperson

Secretary



# **AFFIDAVIT OF COMPLETION OF REPORTS**

I, Darren Frisko, General Manager of Raymore Credit Union, make oath and say that:

The Auditor's Report and Financial Statements were made available to the Membership on the 1st of April, 2022, which is at least 10 days prior to the Annual Meeting.

Sworn before me at the Town	
of Raymore, in the Province of	
Saskatchewan this day	
of, 2022.	Darren Frisko

A Commissioner for Oaths in and for the Province of Saskatchewan

# **PROOF OF NOTICE**

I, Darren Frisko, of the Town of Raymore, Secretary-Treasurer of the Raymore Credit Union

TO WIT:

That I have personal knowledge, that the notice of this annual meeting was duly prepared and given to its members as required by the Credit Union Act. Notice was posted in the Credit Union branches, in member statements, on the Credit Union website and social media pages on March 2, 2022.

(	
Sworn before me at the Town of Raymo	ore)
in the Province of Saskatchewan	
this	Darren Frisko

A Notary Public in and for the Province of Saskatchewan

Raymore Credit Union Financial Statements December 31, 2021

# Raymore Credit Union Contents For the year ended December 31, 2021

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# Management's Responsibility

To the Members of Raymore Credit Union:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. 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 Committee are composed primarily 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 Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management, internal auditors, and external auditors. 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, 2022

General Manager



To the Members of Raymore Credit Union:

# Opinion

We have audited the financial statements of Raymore Credit Union (the "Credit Union"), which comprise the statement of financial position as at December 31, 2021, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2021, 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.



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.

Regina, Saskatchewan March 14, 2022 MNPLLP

Chartered Professional Accountants



# **Raymore Credit Union** Statement of Financial Position As at December 31, 2021

	2021	2020
Assets		
Cash and cash equivalents (Note 5)	6,018,698	6,725,586
Investments (Note 6)	54,410,074	55,886,466
Member loans receivable (Note 7)	130,394,727	115,541,696
Other assets (Note 8)	260,446	159,620
Property and equipment (Note 9)	619,158	767,643
	191,703,103	179,081,011
Liabilities		
Member deposits (Note 11)	173,547,409	162,987,206
Income taxes payable	281,364	77,080
Other liabilities	1,452,227	1,247,140
Membership shares and equity accounts (Note 13)	1,245,000	976,858
	176,526,000	165,288,284
Commitments (Note 17), (Note 19)		
Members' equity Retained earnings	15,177,103	13,792,727
	191,703,103	179,081,011

Approved on behalf of the Board

# Raymore Credit Union Statement of Comprehensive Income For the year ended December 31, 2021

	2024	2000
	2021	2020
Interest income		
Member loans	5,466,315	5,375,396
Investments	1,008,038	803,065
157.5%	6,474,353	6,178,461
Interest expense		
Member deposits	1,715,583	2,089,588
Borrowed money	3,450	4,116
	1,719,033	2,093,704
Gross financial margin	4,755,320	4,084,757
Other income	1,007,531	883,934
	5,762,851	4,968,691
Operating expenses Administration	1,737,573	1,202,371
Member security	159,809	146,969
Occupancy	193,955	197,278
Organizational	60,839	42,744
Personnel	1,712,982	1,800,753
	3,865,158	3,390,115
Income hefere provision for tracevery of impaired loans, natronage refund		
Income before provision for (recovery of) impaired loans, patronage refund, and provision for (recovery of) income taxes	1,897,693	1,578,576
Provision for (recovery of) impaired loans (Note 7)	(263,079)	664,775
Patronage refund (Note 14)	399,882	284,486
Income before provision for (recovery of) income taxes	1,760,890	629,315
Provision for (recovery of) income taxes (Note 12)	440.000	464.077
Current	418,280	151,977
Deferred	(41,766)	(21,589)
	376,514	130,388
Comprehensive income	1,384,376	498,927

# Raymore Credit Union Statement of Changes in Equity For the year ended December 31, 2021

	Retained earnings	Total equity
Balance December 31, 2019	13,293,800	13,293,800
Comprehensive income	498,927	498,927
Balance December 31, 2020	13,792,727	13,792,727
Comprehensive income	1,384,376	1,384,376
Balance December 31, 2021	15,177,103	15,177,103

# Raymore Credit Union Statement of Cash Flows For the year ended December 31, 2021

	2021	2020
Cash provided by (used for) the following activities		
Operating activities		
Interest received from member loans	5,430,766	5,317,544
Interest and dividends received from investments	1,059,913	807,121
Other non-interest income received	1,007,531	885,211
Payments to suppliers and employees	(3,553,702)	(2,995,605)
Interest paid on deposits	(1,846,491)	(2,143,169)
Interest paid on borrowed money	(3,450)	(4,116)
Income taxes recovered (paid)	(213,997)	75,815
	1,880,570	1,942,801
Financing activities		
Net change in member deposits	10,691,110	13,745,940
Net change in member equity accounts	(131,740)	(34,952)
	10,559,370	13,710,988
Investing activities		
Net change in member loans receivable	(14,554,408)	(11,341,917)
Purchases of property and equipment	(16,944)	(58,613)
Proceeds from disposal of property and equipment	-	10,749
Net change in investments	1,424,524	(8,846,985)
	(13,146,828)	(20,236,766)
Decrease in cash and cash equivalents	(706,888)	(4,582,977)
Cash and cash equivalents, beginning of year	6,725,586	11,308,563
Cash and cash equivalents, end of year	6,018,698	6,725,586

For the year ended December 31, 2021

# 1. Reporting entity

Raymore Credit Union (the "Credit Union") was formed pursuant to the Credit Union Act, 1998 of Saskatchewan ("the Act") and operates two Credit Union branches.

The Credit Union serves members and non-members in Raymore and Dysart, Saskatchewan and the surrounding communities. The address of the Credit Union's registered office is 121 Main Street, Raymore, Saskatchewan.

The Credit Union operates principally in personal, agriculture and commercial banking in Saskatchewan. Operating branches are similar in terms of products and services provided, methods used to distribute products and services, types of members and the nature of the regulatory environment.

The Credit Union conducts its principal operations through various branches, 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, 2022.

## 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, 2021. Adoption of these amendments had no effect on the Credit Union's financial statements.

- IFRS 7 Financial Instruments: Disclosure
- IFRS 9 Financial Instruments
- IAS 39 Financial Instruments: Recognition and Measurement (Amendments)

# 3. Basis of preparation

# Basis of measurement

The financial statements have been prepared using the historical 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.

# Raymore Credit Union Notes to the Financial Statements

For the year ended December 31, 2021

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

## 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 prepared based on management's best knowledge of current events and actions that the Credit Union may undertake in the future. These estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognized prospectively in comprehensive income in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### COVID-19 Pandemic considerations

In early March 2020 the impact of the global outbreak of COVID-19 (coronavirus) began to have a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders.

COVID-19 has continued to affect the Credit Union's employees, members and communities, with resultant impacts on operations, financial results and present and future risks to the business. Results across all branches have been and continue to be impacted by downstream implications from the changes in the macroeconomic environment, including lower interest rates, modest consumer spending relative to pre-pandemic levels, fluctuations in credit spreads and changes in operating costs. Measures to contain the spread of COVID-19 included implementation of social distancing protocols. To provide immediate and long-term relief for members impacted by the COVID-19 pandemic the Credit Union offered payment deferrals, all of which have come to an end. Refer to Note 17 for information of the impact on significant estimates and judgments, and financial instruments.

The impact of COVID-19 has been partially offset by available Government programs for which the Credit Union was eligible. During the year, the Credit Union applied for and received \$114,325 (2020 - \$nil) from the Canada Emergency Wage Subsidy ("CEWS") program. Additional details of the subsidy for 2021 is described in Note 21. Eligibility requirements under these programs have evolved since first announced and can be subject to changes in legislation or administrative positions.

At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Credit Union as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

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

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 material.

## 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 retail customers 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.

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

# 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, interest rates and other economic circumstances
- Declining revenues, working capital deficiencies, increases in statement of financial position 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 and 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 pandemic 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 indicators

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.

# Fair value of unquoted equity instruments

The Credit Union has assessed that the fair values of its SaskCentral and Concentra Bank (operating as Wyth Financial) shares approximate its cost based on the terms that the equity investments cannot be transferred, the shares cannot be sold, and new shares are issued at par value of all currently held shares.

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

## Deferred taxes

The calculation of deferred tax is based on assumptions, which are subject to uncertainty as to timing and which tax rates are expected to apply when temporary differences reverse. Deferred tax recorded is also subject to uncertainty regarding the magnitude of non-capital losses available for carry forward and of the balances in various tax pools as the corporate tax returns have not been prepared as of the date of financial statement preparation. 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 material. Further details are in Note 12.

# Useful lives of property and equipment

Estimates must be utilized in evaluating the useful lives of all property and equipment for calculation of the depreciation for each class of assets. For further discussion of the estimation of useful lives, refer to the heading property and equipment contained in Note 4.

# Impairment of financial assets

Significant judgments, estimates and assumptions are required when calculating the expected credit losses of financial assets and determining whether there has been a significant increase in credit risk since initial recognition in accordance with IFRS 9 *Financial instruments*. For more information, refer to Note 17.

# Impairment of non-financial assets

At each reporting date, the Credit Union assesses whether there are any indicators of impairment for non-financial assets. Non-financial assets that have an indefinite useful life or are not subject to amortization, such as goodwill, are tested annually for impairment or more frequently if impairment indicators exist. Other non-financial assets are tested for impairment if there are indicators that their carrying amounts may not be recoverable.

# Income taxes

The Credit Union periodically assesses its liabilities and contingencies related to income taxes for all years open to audit based on the latest information available. For matters where it is probable that an adjustment will be made, the Credit Union records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes that they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

# 4. Summary of significant accounting policies

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.

Non-monetary items that are measured at historical cost are translated using the exchange rates at the date of the transaction and non-monetary items that are measured at fair value are translated using the exchange rates at the date when the items' fair value was determined. Translation gains and losses are included in comprehensive income.

## Revenue recognition

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

# 4. Summary of significant accounting policies (Continued from previous page)

# Service charge fees, commissions, and other revenue

The Credit Union generates revenue from providing financial 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 is 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 liquidity deposits, portfolio bonds, member loans receivable and accrued interest thereon, and accounts receivable balances.
- Fair value through other comprehensive income Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. The Credit Union does not hold any financial assets measured at fair value through other comprehensive income.
- 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.

# Raymore Credit Union Notes to the Financial Statements

For the year ended December 31, 2021

## 4. Summary of significant accounting policies (Continued from previous page)

Designated at fair value through profit or loss – On initial recognition, the Credit Union may irrevocably designate a
financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an
accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and
losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are
recognized in profit or loss. The Credit Union does not hold any financial assets designated to be measured at fair
value through profit or loss.

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 SaskCentral Shares, Concentra Bank shares, and other equity investments.

### 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. 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 and breaches of borrowing contracts such as default events or breaches of borrowing covenants and 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:

# 4. Summary of significant accounting policies (Continued from previous page)

- 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
- 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 17 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 syndication transactions resulting in transfers qualifying for derecognition.

#### 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.

# Raymore Credit Union Notes to the Financial Statements

For the year ended December 31, 2021

# 4. Summary of significant accounting policies (Continued from previous page)

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.

# 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.

Financial liabilities are not reclassified subsequent to initial recognition.

## 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.

# Offsetting

Financial assets and financial liabilities are offset, with the net amount presented in the statement of financial position, when, and only when, the Credit Union has a current and legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or when arising from a group of similar transactions if the resulting income and expenses are not material.

# 4. Summary of significant accounting policies (Continued from previous page)

#### 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.

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

# Portfolio investments

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

# Raymore Credit Union Notes to the Financial Statements

For the year ended December 31, 2021

# 4. Summary of significant accounting policies (Continued from previous page)

#### 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.

# Foreclosed assets

Foreclosed assets held for sale are initially recorded at the lower of cost and fair value less costs to sell. Cost comprises the balance of the loan at the date on which the Credit Union obtains title to the asset plus subsequent disbursements related to the asset, less any revenues or lease payments received. Foreclosed assets held for sale are subsequently valued at the lower of their carrying amount and fair value less costs to sell. Foreclosed assets are recorded in member loans receivable.

## Property and equipment

Property 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 and equipment have different useful lives, they are accounted for as separate items of property 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.

\*\*Rate\*

Buildings	2.5 - 5 %
Automotive	14 - 25 %
Computer equipment	20 - 33 %
Computer software	20 %
Furniture and equipment	20 %

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

# Raymore Credit Union Notes to the Financial Statements

For the year ended December 31, 2021

# 4. Summary of significant accounting policies (Continued from previous page)

# 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 allow 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.

#### Leases

The Credit Union assesses at inception of a contract, whether the contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Credit Union assesses whether the customer has the following through the period of use:

- The right to obtain substantially all of the economic benefits from use of the identified asset; and
- The right to direct the use of the identified asset.

This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

Where the Credit Union is a lessee in a contract that contains a lease component, the Credit Union allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

At the lease commencement date, the Credit Union recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at cost. The cost of the right-of-use asset is comprised of the initial amount of the lease liability, any lease payments made at or before the commencement date less any lease incentives received, initial direct costs incurred by the Credit Union, and an estimate of the costs to be incurred by the Credit Union in dismantling and removing the underlying asset and restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

After the commencement date, the Credit Union measures right-of-use assets by applying the cost model, whereby the right-of-use asset is measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liability. The right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the lease term or the end of the useful life of the right-of-use asset. The estimated useful life of the right-of-use assets are determined on the same basis as those of property, plant and equipment. The determination of the depreciation period is dependent on whether the Credit Union expects that the ownership of the underlying asset will transfer to the Credit Union by the end of the lease term or if the cost of the right-of-use asset reflects that the Credit Union will exercise a purchase option.

# 4. Summary of significant accounting policies (Continued from previous page)

## Leases (Continued from previous page)

The lease liability is initially measured at the present value of the lease payments not paid at the lease commencement date, discounted using the interest rate implicit in the lease or the Credit Union's incremental borrowing rate, if the interest rate implicit in the lease cannot be readily determined. The lease payments included in the measurement of the lease liability comprise of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, amounts expected to be payable by the Credit Union under a residual value guarantee, the exercise price of a purchase option that the Credit Union is reasonably certain to exercise, and payment of penalties for terminating the lease if the lease term reflects the Credit Union exercising an option to terminate the lease. After the commencement date, the Credit Union measures the lease liability at amortized cost using the effective interest method.

The Credit Union remeasures the lease liability when there is a change in the lease term, a change in the Credit Union's assessment of an option to purchase the underlying asset, a change in the Credit Union's estimate of amounts expected to be payable under a residual value guarantee, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments. On remeasurement of the lease liability, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Credit Union has elected to not recognize right-of-use assets and lease liabilities for short-term and low value leases. Short-term leases are leases with a term of twelve months or less. Low value leases are leases where the underlying asset has a new value of \$5,000 USD or less. The Credit Union recognizes the lease payments associated with these leases as an expense on either a straight-line basis over the lease term or another systematic basis if that basis is more representative of the pattern of the lessee's benefit.

# Employee benefits

The Credit Union's post employment benefit programs consist of a defined contribution plan.

Credit Union contributions to the defined contribution plan are expensed as incurred. Pension benefits of \$103,683 (2020 – \$109,899) were paid to the defined contribution retirement plan during the year.

# Membership shares and equity accounts

Membership shares and equity accounts 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.

# Government assistance

The Credit Union recognizes government assistance when there is reasonable assurance that it will comply with the conditions required to qualify for the assistance, and that the assistance will be received. The Credit Union recognizes government assistance as other income.

# Standards issued but not yet effective

The Credit Union has not yet applied the following new standards, interpretations and amendments to standards that have been issued as at December 31, 2021 but are not yet effective. Unless otherwise stated, the Credit Union does not plan to early adopt any of these new or amended standards and interpretations.

# IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements

Amendments to IAS 1 and IFRS Practice Statement 2, issued in February 2021, help entities provide accounting policy disclosures that are more useful to primary users of financial statements by replacing the requirement to disclose "significant" accounting policies with a requirement to disclose "material" accounting policies and providing guidance to explain and demonstrate the application of the four-step materiality process to accounting policy disclosures.

# For the year ended December 31, 2021

# 4. Summary of significant accounting policies (Continued from previous page)

# Standards issued but not yet effective (Continued from previous page)

The amendments are effective for annual periods beginning on or after January 1, 2023 and are required to be applied prospectively. The Credit Union does not expect these amendments to have a material impact on its financial statements.

# IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

Amendments to IAS 8, issued in February 2021, introduce a new definition of "accounting estimates" to replace the definition of "change in accounting estimates" and also include clarification intended to help entities distinguish changes in accounting policies from changes in accounting estimates.

The amendments are effective for annual periods beginning on or after January 1, 2023. The Credit Union does not expect these amendments to have a material impact on its financial statements.

## IAS 12 Income Taxes

Amendments to IAS 12, issued in May 2021, narrow the scope of the recognition exemption to require an entity to recognize deferred tax on initial recognition of particular transactions, to the extent that transaction gives rise to equal taxable and deductible temporary differences. These amendments apply to transactions for which an entity recognizes both an asset and liability, for example leases and decommissioning liabilities.

The amendments are effective for annual periods beginning on or after January 1, 2023. The Credit Union does not expect these amendments to have a material impact on its financial statements.

# IAS 16 Property, Plant, and Equipment

Amendments to IAS 16, issued in May 2020, prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be available for use. Instead, the proceeds from selling such items, and the costs of producing those items, would be recognized in profit or loss.

The amendments are effective for annual periods beginning on or after January 1, 2022. The Credit Union does not expect the amendments to have a material impact on its financial statements.

# IAS 37 Provisions, Contingent Liabilities and Contingent Assets

Amendments to IAS 37, issued in May 2020, specify that in assessing whether a contract is onerous under IAS 37, the cost of fulfilling a contract includes both the incremental costs and an allocation of costs that relate directly to contract activities. The amendments also include examples of costs that do, and do not, relate directly to a contract.

The amendments are effective for annual periods beginning on or after January 1, 2022. The Credit Union does not expect the amendments to have a material impact on its financial statements.

# 5. Cash and cash equivalents

	2021	2020
Cash	2,840,801	3,716,485
Cash equivalents	3,177,897	3,009,101
	6,018,698	6,725,586

The total amount drawn on the Credit Union's line of credit as at December 31, 2021 is \$nil (2020 - \$nil). For authorized line of credit amounts, refer to Note 10.

vestments		
	2021	202
Measured at amortized cost	44.040.747	40 500 070
SaskCentral and Concentra Bank liquidity deposits	41,049,715	43,583,376
Portfolio bonds	10,048,735	9,432,399
Accrued interest	131,820	183,689
	51,230,270	53,199,464
Measured at fair value through profit or loss	4 000 044	4 400 000
Other equity investments	1,620,811	1,128,009
Concentra Bank shares	250,000	250,000
Sask Central shares	1,308,993	1,308,993
	3,179,804	0.007.000
	3,173,004	2,687,002

The table below shows the credit risk exposure on investments, excluding liquidity reserves and balances on deposit with SaskCentral and Concentra Bank. Ratings are as provided by Dominion Bond Rating Services ("DBRS") unless otherwise indicated.

	13,279,039	12,209,857
Jnrated	1,620,811	1,128,009
R1	1,308,993	1,308,993
A	250,000	250,000
Investment portfolio rating 4A	10,099,235	9,522,855

SaskCentral shares are included in the R1 category above and Concentra Bank shares are included in the A category above.

# Statutory liquidity

Pursuant to Regulations, SaskCentral requires that the Credit Union maintain 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, 2021 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.

#### Investments (Continued from previous page) 6.

As at December 31, 2021, the Credit Union is in compliance with regulatory requirements.

#### 7. Member loans receivable

Principal and allowance by loan type:

20	2	1
20	•	

	Principal performing	Principal impaired	Allowance specific	Allowance for expected credit losses	Net carrying value
Government guaranteed Commercial loans Consumer loans Lines of credit Mortgages Leases	16,497,584 25,209,240 5,546,481 2,913,311 73,713,101 4,861,851	- 2,326,384 86,610 - - -	(965,997) (86,610) - - -	(460,526) (20,564) - (33,378)	16,497,584 26,109,101 5,525,917 2,913,311 73,679,723 4,861,851
Accrued interest	128,741,568 807,240	2,412,994 126,373	(1,052,607) (126,373)	(514,468) -	129,587,487 807,240
Total	129,548,808	2,539,367	(1,178,980)	(514,468)	130,394,727
				Allowance for	2020
	Principal performing	Principal impaired	Allowance specific	expected credit losses	Net carrying value
Government guaranteed Commercial loans Consumer loans Lines of credit Mortgages Leases	15,648,935 21,613,172 5,419,458 3,636,912 62,331,406 5,067,689	1,585,095 96,924 - - -	(597,922) (96,924) - - -	(446,151) (28,014) - (40,303)	15,648,935 22,154,194 5,391,444 3,636,912 62,291,103 5,067,689
Foreclosed assets Accrued interest	113,717,572 521,096 828,819	1,682,019 - 69,249	(694,846) - (67,745)	(514,468) - -	114,190,277 521,096 830,323
Total	114,546,391	1,751,268	(762,591)	(514,468)	115,541,696

# Raymore Credit Union Notes to the Financial Statements

For the year ended December 31, 2021

# 7 Member loans receivable (Continued from previous page)

The allowance for loan impairment changed as follows:

	2021	2020
Balance, beginning of year Provision for (recovery of) impaired loans	1,277,059 (263,079)	873,197 664,775
Less (add): accounts written off, net of recoveries	1,013,980 (679,468)	1,537,972 260,913
Balance, end of year	1,693,448	1,277,059
Other assets		
	2021	2020
Prepaid expenses and deposits Deferred tax asset (Note 12)	77,893 182,553	18,833 140,787
	260,446	159,620

# 9. Property and equipment

8.

	Land	Buildings	Computer equipment	Computer software	Furniture and equipment	Automotive	Total
Cost Balance at December 31, 2019	750	1,919,274	271,559	372,062	487,134	92,720	3,143,499
Additions	_	-	33,869	-	24,744	. I -	58,613
Disposals	-	-	-	_	(13,854)	_	(13,854)
Balance at December 31, 2020	750	1,919,274	305,428	372,062	498,024	92,720	3,188,258
Additions	-		-	-	16,944		16,944
Balance at December 31, 2021	750	1,919,274	305,428	372,062	514,968	92,720	3,205,202
Accumulated depreciation Balance at							
December 31, 2019		1,203,604	192,751	363,767	449,079	24,271	2,233,472
Depreciation	-	97,118	39,271	8,104	18,297	26,180	188,970
Disposals	-	-	-	2	(1,827)	-	(1,827)
Balance at December 31, 2020	-	1,300,722	232,022	371,871	465,549	50,451	2,420,615
Depreciation		85,297	39,652	191	14,109	26,180	165,429
Balance at December 31, 2021	-	1,386,019	271,674	372,062	479,658	76,631	2,586,044
Net book value At December 31, 2020	750	618,552	73,406	191	32,475	42,269	767,643
At December 31, 2021	750	533,255	33,754		35,310	16,089	619,158

# 10. Line of credit

The Credit Union has an authorized line of credit due on demand, with no fixed repayment date, bearing interest at Sask Central's prime minus 0.5% (2020 - prime minus 0.5%) in the amount of \$2,000,000 (2020 - \$2,000,000) from SaskCentral.

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

The Credit Union also has access to an authorized quick line of credit due on demand, with no fixed repayment date, bearing interest at Concentra's 1 month CDOR rate + 2.50% (2020 - 1 month CDOR rate + 2.50%), in the amount of \$4,000,000 (2020 - \$4,000,000) from Concentra Bank.

Borrowings are secured by a second charge security interest, mortgage, pledge, and charge over all of the Credit Union's present and after-acquired property, both real and personal.

# 11. Member deposits

	173,547,409	162,987,206
Term deposits Accrued interest savings and deposits	53,011,527 689,220	51,093,389 820,127
Demand deposits Registered plans Other deposits	12,260,781 9,427,677	12,470,795 8,594,111
Described to the second of the	98,158,204	90,008,784

Member deposits are subject to the following terms:

- Chequing, savings and plan 24 products are due on demand and bear interest at rates up to 0.50% (2020 2.35%)
- Registered savings plans are subject to fixed and variable rates of interest up to 3.60% (2020 3.60%), with interest payments due monthly, annually or on maturity.
- Term deposits are subject to fixed and variable rates of interest up to 4.00% (2020 4.00%), with interest payments due monthly, annually or on maturity.

#### 12. Income tax

# Income tax expense recognized in comprehensive income

In 2021, based on the Credit Union's taxable capital, the applicable tax rate is the aggregate of the federal income tax rate of 9% on income under \$275,422 and 15% on income greater than \$275,422 (2020 - 9% and 15%), and the provincial tax rate of 0% (Saskatchewan temporary reduction for 2021 and a portion of 2022) on income under \$330,506 and 12% on income greater than \$330,506 (2020 - 1.5% and 12%).

# 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:

	2021	2020
Deferred tax asset	163,894	113,394
Property and equipment	(27,065)	110,001
Investments	45.724	27,393
Allowance for impaired loans	45,724	27,000
Deferred tax asset	182,553	140,787

# 12. Income tax (Continued from previous page)

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Reconciliation between average effective tax rate and the applicable tax rate	2021	2020
Applicable tax rate	27.00 %	27.00 %
Small business deduction	(2.67)%	(6.46)%
Change in deferred tax rate	(5.96)%	(0.52)%
Non-deductible and other items	3.01 %	0.70 %
Average taxable effective tax rate (tax expense divided by profit before tax)	21.38 %	20.72 %

# 13. Membership shares and equity accounts

# Authorized:

Unlimited number of Membership shares, at an issue price of \$5. Unlimited number of Equity shares, at an issue price of \$1.

## Issued:

Total	1,245,000	976,858
2,699 Membership shares (2020 - 2,696) 1,231,505 Equity shares (2020 - 963,378)	13,495 1,231,505	13,480 963,378
	2021	2020

All common shares and equity accounts are classified as liabilities.

When an individual becomes a member of the Credit Union, they are issued a common share at \$5 per share. Equity accounts are established as a means of returning excess earnings to the members while maintaining the Credit Union's equity base. Each member of the Credit Union has one vote, regardless of the number of common shares held.

During the year, the Credit Union issued 142 (2020 - 173) and redeemed 139 (2020 - 99) shares and also issued \$301,673 (2020 - \$39,069) and redeemed \$33,546 (2020 - \$89,862) equity shares.

#### 14. Patronage

The Board of Directors authorized a patronage refund of \$400,000 (2020 - \$300,000), retaining \$300,000 (2020 - \$nil) in members' equity share accounts as at December 31, 2021. The patronage refund approved by the Board of Directors was based on the amount of loan interest paid and deposit interest earned by each member during the fiscal year (excluding credit cards and unauthorized overdrafts).

The patronage refund has been reflected in the statement of financial position as accounts payable and equity shares with the corresponding expense in the statement of comprehensive income.

# Raymore Credit Union Notes to the Financial Statements For the year ended December 31, 2021

# 15. Related party transactions

# Key management compensation of the Credit Union

Key management personnel ("KMP") of the Credit Union are the General Manager, Finance and Admin Manager, Retail Manager, HR Marketing Compliance Manager, and members of the Board of Directors.

KMP remuneration includes the following expenses:

2021

2020

Salaries and short-term benefits

473,747

516,223

# 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 r	nembers of KMP. <b>2021</b>	2020
Aggregate loans to KMP The total value of revolving credit facilities to KMP Less: membership shares and equity accounts	3,627,066 2,183 (24,157)	3,698,508 3,779 (29,887)
	3,605,092	3,672,400
	2021	2020
During the year the aggregate value of loans approved to KMP amounted to: Revolving credit Mortgages Loans	- 221,513 452,928	5,000 1,103,160 627,959
	674,441	1,736,119
Income and expense transactions with KMP consisted of: Interest earned on loans and revolving credit facilities to KMP Total interest paid on deposits to KMP	2021 104,293 2,634	2020 91,241 4,183
The total value of member deposits from KMP as at the year-end: Chequing and demand deposits Term deposits Registered plans	899,637 617 64,971	867,579 610 64,397
Total value of member deposits due to KMP	965,225	932,586

# 15. Related party transactions (Continued from previous page)

# Directors' fees and expenses

	2021	2020
Directors' fees and committee remuneration	35,940	28,485
Directors' expenses	2,660	3,178
Meeting, training and conference costs	11,798	5,105

### SaskCentral and Concentra Bank

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

The Credit Union is related to Concentra Bank, which is owned in part by SaskCentral. Concentra Bank provides financial intermediation and trust services to Canadian credit unions and associated commercial and retail customers.

Interest and dividends earned on investments during the year ended December 31, 2021 amounted to \$418,798 (2020 - \$724,388).

Interest paid on borrowings during the year ended December 31, 2021 amounted to \$3,450 (2020 - \$4,116).

Payments made for affiliation dues, liquidity assessments, research and development assessment, cheque clearing and data processing for the year ended December 31, 2021 amounted to \$268,638 (2020 - \$230,792).

# Celero Solutions

The Credit Union has entered into an agreement with Celero Solutions to provide the delivery of banking system services and the maintenance of the infrastructure needed to ensure uninterrupted delivery of such services. Celero Solutions was formed as a joint venture by the Credit Union Centrals of Alberta, Saskatchewan and Manitoba along with Concentra Bank.

# 16. 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.

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.

# Raymore Credit Union Notes to the Financial Statements

For the year ended December 31, 2021

# 16. Capital management (Continued from previous page)

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 following table compares CUDGC regulatory standards to the Credit Union's board policy for 2021:

	Regulatory standards	Board standards (Minimum of target range)
Total eligible capital to risk-weighted assets Tier 1 capital to risk-weighted assets Common equity tier 1 capital to risk-weighted assets Leverage ratio	10.50 % 8.50 % 7.00 % 5.00 %	12.00 % 12.00 % 12.00 % 6.50 %
During the year, the Credit Union complied with all internal and external capital requirement	ents.	
The following table summarizes key capital information:		
Eligible capital Common equity tier 1 capital Deductions from tier 1 capital	2021 15,177,103	2020 13,792,727 (191)
Total tier 1 capital Total tier 2 capital	15,177,103 1,759,468	13,792,536 1,491,326
Total eligible capital	16,936,571	15,283,862
Risk-weighted assets Total eligible capital to risk-weighted assets Total tier 1 capital to risk-weighted assets Common equity tier 1 capital to risk-weighted assets Leverage ratio	14.33 % 12.84 % 12.84 % 8.61 %	13.71 % 12.37 % 12.37 % 8.38 %

For the year ended December 31, 2021

#### 17. 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
- Using 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; and
  - 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
- Loan re-negotiation, extension and renewal processes

## Raymore Credit Union Statement of Financial Position

As at December 31, 2021

#### 17. Financial instruments (Continued from previous page)

- 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, access 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 represent 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
- 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.

#### 17. Financial instruments (Continued from previous page)

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

	2021	2020
Unadvanced lines of credit Guarantees and standby letters of credit	8,890,017 100,000 7,377,188	8,365,436 100,000 5,892,104
Commitments to extend credit	16,367,205	14,357,540

#### 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.

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. When a financial instrument is considered to have low credit risk, it is assumed that there has not been a significant increase in credit risk since initial recognition. 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 customers. 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 ("ECL") 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, consumer 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.

### Raymore Credit Union Statement of Financial Position

As at December 31, 2021

#### 17. Financial instruments (Continued from previous page)

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.

As indicated in Note 3, COVID-19 and the measures taken by Canadian federal, provincial and municipal governments to limit the spread of COVID-19 have had a material adverse impact on the Canadian economy. To mitigate the economic impact, governments have enacted policy measures to provide economic stimulus and financial support to both individuals and businesses.

The Credit Union has run a number of simulations on its collective allowance, incorporating assumptions about the resulting macroeconomic impacts of the COVID-19 pandemic, based on information and facts available at December 31, 2021. The macroeconomic factors that affect the Credit Union ECL calculations are: Saskatchewan unemployment rates, provincial housing starts, national interest rates, national GDP growth, and national oil prices. The information for these assumptions is based off 2022 economic forecasts. Each factor is forecast 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. These assumptions were shocked up and down 10% - 30% in the best and worst case scenarios.

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 COVID-19, the weightings chosen at December 31, 2021 were 50% base, 10% best, and 40% worst case.

Management had to use judgment in several areas to assess if the estimate the model calculated was reasonable or if an overlay was needed to increase or decrease the allowance. The negative effects of the global economic shut down, increased unemployment and volatile oil prices had to be weighed against the more positive aspects of government support programs, government loan programs, loan deferrals, and rent deferrals. At December 31, 2021, management booked an overlay of \$nil.

#### 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 they have exhausted all attempts to obtain some of the loan back, including realizing on the security, if any, and disposing of related security. Where an asset has been written off but is still subject to enforcement activity, the asset is written off but remains on a list of delinquent accounts. Where information becomes available indicating the Credit Union will receive funds, such amounts are recognized at their fair value. The contractual amount outstanding on financial assets which were written off during the year and continue to be subject to enforcement activity is \$nil (2020 – \$nil).

#### Exposure to credit risk

The following table sets out information about the credit quality of financial assets assessed for impairment under IFRS 9 *Financial instruments*. 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.

## **Raymore Credit Union** Statement of Financial Position As at December 31, 2021

#### Financial instruments (Continued from previous page) 17.

	12-month ECL	2021 Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
	72-monar EGE	impancay	impairedy	70147
Commercial loans, mortgages and lines of credit	47.040.000			47.040.000
Low risk	17,613,262	00 004 -	2.7	17,613,262
Medium risk Default	-	86,061 -	950,242	86,061 950,242
Total gross carrying amount	17,613,262	86,061	950,242	18,649,565
Less: loss allowance	185,694	790	224,140	410,624
Total carrying amount	17,427,568	85,271	726,102	18,238,941
Consumer loans and lines of credit				
Low risk	9,604,711	-	-	9,604,711
Medium risk	B	13,012	-	13,012
Default	<u>-</u>	-	94,734	94,734
Total gross carrying amount	9,604,711	13,012	94,734	9,712,457
Less: loss allowance	20,511	53	86,840	107,404
Total carrying amount	9,584,200	12,959	7,894	9,605,053
Residential mortgages and lines of credit				
Low risk	26,796,397	_	-	26,796,397
Medium risk		168,985	-	168,985
Default	· ·		•	-
Total gross carrying amount	26,796,397	168,985	-	26,965,382
Less: loss allowance	32,687	692	-	33,379
Total carrying amount	26,763,710	168,293	-	26,932,003
Agricultural loans, mortgages and lines of credit				
Low risk	67,003,183		-	67,003,183
Medium risk		130,629	-	130,629
Default		(/ <b>=</b> )	392,663	392,663
Total gross carrying amount	67,003,183	130,629	392,663	67,526,475
Less: loss allowance	272,030	2,011		274,041
Total carrying amount	66,731,153	128,618	392,663	67,252,434
Syndicated loans				
Low risk	1,940,283	-	-	1,940,283
Medium risk	20 - 25		437	200 W
Default		-	1,472,871	1,472,871
Total gross carrying amount	1,940,283	_	1,472,871	3,413,154
Less: loss allowance			868,000	868,000
Total carrying amount	1,940,283	-	604,871	2,545,154
	CONTRACTOR OF THE PARTY OF THE			The second secon

# Raymore Credit Union Statement of Financial Position As at December 31, 2021

#### Financial instruments (Continued from previous page) 17.

	12-month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Leases				
Low risk	5,334,578	-	•	5,334,578
Medium risk		1=1	-	-
Default		-		-
Total gross carrying amount	5,334,578		-	5,334,578
Less: loss allowance	•			
Total carrying amount	5,334,578		-	5,334,578
TOTAL				
Low risk	128,292,414		-	128,292,414
Medium risk	-	398,687		398,687
Default	-	-	2,910,510	2,910,510
Total gross carrying amount	128,292,414	398,687	2,910,510	131,601,611
Less: loss allowance	510,922	3,546	1,178,980	1,693,448
Total carrying amount	127,781,492	395,141	1,731,530	129,908,163

## Raymore Credit Union Statement of Financial Position

As at December 31, 2021

#### 17. Financial instruments (Continued from previous page)

		202	0		
		Lifetime ECL	Lifetime ECL		
		(not credit	(credit		
	12-month ECL	impaired)	impaired)	Total	
Commercial loans and lines of credit					
Low risk	16,939,167		_	16,939,167	
Medium risk	10,959,107	107,973	_	107,973	
Default	_	107,875	182,057	182,057	
Delault			102,007	102,007	
Total gross carrying amount	16,939,167	107,973	182,057	17,229,197	
Less: loss allowance	237,396	3,532	165,667	406,595	
Total carrying amount	16,701,771	104,441	16,390	16,822,602	
Danasan Jama and lines of avadit					
Consumer Ioans and lines of credit  Low risk	9,992,054	2	-	9,992,054	
Medium risk	9,992,004	69,389	100	69,389	
Default		09,309	96,924	96,924	
Delauit			90,924	90,924	
Total gross carrying amount	9,992,054	69,389	96,924	10,158,367	
Less: loss allowance	27,725	289	96,924	124,938	
Total carrying amount	9,964,329	69,100	-	10,033,429	
				-	
tesidential mortgages and lines of credit	22 262 446			22 262 446	
Low risk	23,363,116	-	1-1	23,363,116	
Medium risk		-		-	
Default					
Total gross carrying amount	23,363,116	-	_	23,363,116	
Less: loss allowance	40,303	ni e	-	40,303	
Total carrying amount	23,322,813	-	-	23,322,813	
gricultural loans and lines of credit  Low risk	53,564,384	_		53,564,384	
Medium risk	33,304,304	890,677		890,677	
Default	_	090,011	639,386	639,386	
Delault			033,300	039,300	
Total gross carrying amount	53,564,384	890,677	639,386	55,094,447	
Less: loss allowance	193,003	12,220		205,223	
Total carrying amount	53,371,381	878,457	639,386	54,889,224	
yndicated loans Low risk	2,959,022	_	_	2,959,022	
Medium risk	2,909,022			2,303,022	
	-	<del>.</del>	1,415,905	1,415,905	
Default			1,410,800	1,410,800	
Total gross carrying amount	2,959,022	2	1,415,905	4,374,927	
Less: loss allowance	-	-	500,000	500,000	
Total carrying amount	2,959,022	-	915,905	3,874,927	

## Raymore Credit Union Statement of Financial Position

As at December 31, 2021

#### 17. Financial instruments (Continued from previous page)

	12-month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Leases				
Low risk	5,561,219	<i>₽</i>	-	5,561,219
Medium risk	-	-	-	-
Default		_	-	
Total gross carrying amount	5,561,219	_	-	5,561,219
Less: loss allowance	•			
Total carrying amount	5,561,219			5,561,219
TOTAL				
Low risk	112,378,962	-		112,378,962
Medium risk	-	1,068,039	-	1,068,039
Default			2,334,272	2,334,272
Total gross carrying amount	112,378,962	1,068,039	2,334,272	115,781,273
Less: loss allowance	498,427	16,041	762,591	1,277,059
Total carrying amount	111,880,535	1,051,998	1,571,681	114,504,214

#### 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 Raymore, Saskatchewan and surrounding areas.

As at December 31, 2021

#### 17. Financial instruments (Continued from previous page)

#### 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.

enter the first control of the	12-month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Commercial loans, syndicated loans and lines of credit				- Carlotte
Balance at December 31, 2020	237,396	3,532	665,667	906,595
Net remeasurement of loss allowance	(51,702)	(2,742)	426,473	372,029
Balance at December 31, 2021	185,694	790	1,092,140	1,278,624
Consumer loans and lines of credit				
Balance at December 31, 2020	27,725	289	96,924	124,938
Net remeasurement of loss allowance	(7,214)	(236)	(10,084)	(17,534)
Balance at December 31, 2021	20,511	53	86,840	107,404
Residential mortgages and lines of credit		e in as a	ne" d	1 Philippin
Balance at December 31, 2020	40,303	0.5	1 2 1	40,303
Net remeasurement of loss allowance	(7,616)	692		(6,924)
Balance at December 31, 2021	32,687	692	-	33,379
Agricultural loans and lines of credit				
Balance at December 31, 2020	193,003	12,220		205,223
Net remeasurement of loss allowance	79,027	(10,209)		68,818
Balance at December 31, 2021	272,030	2,011	<u>.</u>	274,041
TOTAL				14/110
Balance at December 31, 2020	498,427	16,041	762,591	1,277,059
Net remeasurement of loss allowance	12,495	(12,495)	416,389	416,389
Balance at December 31, 2021	510,922	3,546	1,178,980	1,693,448

As at December 31, 2021

#### 17. Financial instruments (Continued from previous page)

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

The carrying amount of SaskCentral and Concentra Bank shares best represents the Credit Union's maximum exposure to credit risk for those items. The Credit Union holds no collateral or other credit enhancements on 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 owner 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.

#### 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 increase (prior year - increase) net interest income by \$616,700 (2020 - \$719,700) over the next 12 months while an immediate and sustained 100 basis point decrease in interest rates would decrease (prior year - decrease) net interest income by \$487,600 (2020 - \$563,132 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.

### Raymore Credit Union Statement of Financial Position

As at December 31, 2021

#### 17. Financial instruments (Continued from previous page)

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.

#### 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.

#### 17. Financial instruments (Continued from previous page)

				(In thousand	ds)	2021	2020
	On demand	Within 3 months	Over 3 months to 1 year	Over 1 year	Non-Interest Sensitive	Total	Total
Assets Cash and cash							
equivalents	3,178			-	2,841	6,019	6,725
Average yield %	0.23	-	_	_	-	0.12	0.09
Investments	9,940	14,863	12,792	16,252	563	54,410	55,887
Average yield %	0.32	0.89	0.97	1.11	n=	0.86	1.08
Members' loans							
receivable	56,245	5,995	16,989	50,231	935	130,395	115,541
Average yield %	4.30	4.32	4.81	3.91		4.19	4.41
	69,363	20,858	29,781	66,483	4,339	190,824	178,153
Liabilities							
Member deposits	95,637	12,264	22,484	38,043	5,119	173,547	162,987
Average yield %	0.31	1.26	1.28	2.21	-	0.91	1.15
Other liabilities	-	-	-	-	1,452	1,452	1,247
Membership shares							
and equity							
accounts	-				1,245	1,245	977
	95,637	12,264	22,484	38,043	7,816	176,244	165,211
Net sensitivity	(26,274)	8,594	7,297	28,440	(3,477)	14,580	12,942

#### 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.

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; and
- Contingent liquidity risk, which assess the impact of sudden stressful events and the Credit Union's responses thereto.

#### 17. 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 and Concentra Bank and Concentra;
- Maintenance of a pool of high quality liquid assets;
- Monitoring of single deposits and sources of deposits; and
- Monitoring of term deposits.

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, 2021:

(In thousand	s)
--------------	----

	< 1 year	1-2 years	> 3 years	Total
Member deposits	135,505	16,185	21,857	173,547
Other liabilities	1,452	-	-	1,452
Membership shares and equity	1.1		1,245	1,245
Total	136,957	16,185	23,102	176,244
As at December 31, 2020:				
	(In the	ousands)		
	F 4		2 30 0000000000000000000000000000000000	
	< 1 year	1-2 years	> 3 years	Total
Member deposits	122,231	12,371	28,385	162,987
Other liabilities	1,247		- II <u></u> I	1,247
Membership shares and equity	<u> </u>		977	977
Total	123,478	12,371	29,362	165,211

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, 2021:

(In thousands)
----------------

	< 1 year	1-2 years	> 3 years	Total
Cash and cash equivalents	6,019	_	-	6,019
Investments	38,158	9,163	7,089	54,410
Member loans receivable	80,163	9,916	40,316	130,395
Total	124,340	19,079	47,405	190,824

#### As at December 31, 2021

#### 17. Financial instruments (Continued from previous page)

As at December 31, 2020:

(In thousands)					
	< 1 year	1-2 years	> 3 years	Total	
Cash and cash equivalents	6,725	<u>.</u>		6,725	
Investments and accrued interest	44,120	7,109	4,658	55,887	
Member loans receivable	80,328	13,415	21,798	115,541	
Total	131,173	20,524	26,456	178,153	

#### 18. 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 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 the net present value technique. The Credit Union uses assumptions and estimates in determining 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:

In thousands	Fair value	Level 1	Level 2	2021 Level 3
Financial assets				
Cash	2,841	2,841		-
Other equity investments	1,620		1,620	-
Concentra Bank shares	250	-	-	250
SaskCentral shares	1,309		-	1,309
Total financial assets	6,020	2,841	1,620	1,559

For the year ended December 31, 2021

#### 18. Fair value measurements (Continued from previous page)

In thousands	Fair value	Level 1	Level 2	2020 Level 3
Financial assets				
Cash	3,716	3,716	-	-
Other equity investments	1,128	-	1,128	-
Concentra Bank shares	250	-	<del> </del>	250
SaskCentral shares	1,309			1,309
Total financial assets	6,403	3,716	1,128	1,559

All recurring 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.

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:

				Level 2	2021 Level 3
In thousands	Carrying amount	Fair value	Level 1		
Financial assets measured at					
amortized cost					
Cash equivalents	3,178	3,178		3,178	-
Investments	51,230	51,263	-	51,263	-
Member loans receivable	130,395	129,815	-	129,815	-
Total financial assets	184,803	184,256	-	184,256	n lu <u>.</u>

#### 18. Fair value measurements (Continued from previous page)

					2021
In thousands	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial liabilities measured at					
amortized cost		720 272		471.010	
Member deposits	173,547	174,846	-	174,846	-
Other liabilities	1,452	1,452	£.	1,452	-
Membership shares	13	13		-	13
Equity accounts	1,232	1,232			1,232
Total financial liabilities	176,244	177,543	=	176,298	1,245
2.00					2020
	Carrying				
In thousands	amount	Fair value	Level 1	Level 2	Level 3
III tilousarius					
Financial assets measured at					
amortized cost					
Cash equivalents	3,009	3,009	-	3,009	-
Investments	53,200	53,533	<u>₩</u> 1	53,533	-
Member loans receivable	115,542	116,226	-3	116,226	-
Accounts receivable	-	<u>-</u>		<u> </u>	_
Total financial assets	171,751	172,768	-	172,768	-
Financial liabilities measured at					
amortized cost					
Member deposits	162,987	165,187	, <del>-</del> ;	165,187	=
Other liabilities	1,247	1,247		1,247	-
Membership shares	13	13	-	1 KT 11 5	13
Equity accounts	963	963	_	-	963
Equity accounts					
Total financial liabilities	165,210	167,410	-	166,434	976

## 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 fair values disclosed and categorized within Level 2 of the hierarchy 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.

## Raymore Credit Union Notes to the Financial Statements

For the year ended December 31, 2021

#### 19. 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 as a percentage of the aggregate fees paid by all Credit Unions using the banking system. The annual operating fees for the year ended December 31, 2021 were \$108,930 (2020 - \$111,260) and recorded as an expense. The annual estimated operating fee to December 31, 2022 is \$106,955.

In 2019, the Credit Union entered into an agreement to purchase units in the APEX III Investment Fund. The Credit Union makes advances to the Fund when requested which decreases the remaining commitment. Redemption of units does not increase the total remaining commitment to the Fund. At the end of December 2021, the Credit Union has advanced \$490,321 (2020 - \$288,344) of their total commitment of \$900,000 to the APEX III Investment Fund.

#### 20. Other legal and regulatory risk

Legal and regulatory risk is the risk that the Credit Union has not complied with requirements set out in terms of compliance such as standards of sound business practice, anti-money laundering legislation or their code of conduct/conflict of interest requirements. In seeking to manage these risks, the Credit Union has established policies and procedures and monitors to ensure ongoing compliance.

#### 21. Canada Emergency Wage Subsidy ("CEWS")

In response to the negative economic impact of COVID-19, the Government of Canada announced the Canada Emergency Wage Subsidy ("CEWS") program in April 2020. CEWS provides a wage subsidy on eligible remuneration, subject to limits per employee, to eligible employers based on certain criteria, including demonstration of revenue declines as a result of COVID-19. This subsidy is retroactive to March 15, 2020. The qualification and application of the CEWS is assessed over multiple four-week application periods. During the year, the Credit Union applied for and received \$114,325 (2020 - \$nil) as part of this subsidy, which has been reflected in the statement of comprehensive income as other income.

#### 22. Canada Emergency Business Account Program

Under the Canada Emergency Business Account ("CEBA") Program, with funding provided by the Government of Canada and Export Development Canada ("EDC") as the Government of Canada's agent, the Credit Union provides loans to its business banking members. In June 2020, eligibility for the CEBA loan program was expanded to include businesses that did not meet the payroll requirements of the initial program but had other eligible non-deferrable expenses. Under the CEBA Program, eligible businesses receive a \$60,000 interest-free loan until December 31, 2022. If \$40,000 is repaid on or before December 31, 2022, the remaining amount of the loan is eligible for forgiveness. If the loan is not repaid by December 31, 2022, it will be extended for an additional 3-year term bearing an interest rate of 5% per annum. The funding provided to the Credit Union by the Government of Canada in respect of the CEBA Program represents an obligation to pass-through collections on the CEBA loans and is otherwise non-recourse to the Credit Union. Accordingly, the Credit Union is required to remit all collections of principal and interest on the CEBA loans to the Government of Canada but is not required to repay amounts that its members fail to pay or that have been forgiven. The Credit Union receives an administration fee to recover the costs to administer the program for the Government of Canada. Loans issued under the program are not recognized on the Credit Union's statement of financial position, as the Credit Union transfers substantially all risks and rewards in respect of the loans to the Government of Canada. As of December 31, 2021, the Credit Union had funded approximately \$6.5 million in loans under the program.

As of January 12, 2022 the Government announced an extension of the deadline for businesses to repay loans under this program to December 31, 2023.





## **Management Discussion and Analysis**

#### Introduction

Raymore Credit Union (RCU) is an independent Saskatchewan credit union owned by our members. Under the current Credit Union Legislation, RCU is able to provide financial services to members and non-members. As at December 31, 2021, Raymore Credit Union had 2,900 (2020 - 2,904) members and 360 (2020 – 360) non-members. Non-members do not participate in the democratic processes of the Credit Union.

RCU serves the communities of Raymore, Punnichy, Dysart, Cupar, George Gordon, Kawacatoose and surrounding areas through two branches. In these communities, we provide a range of financial products and services.

### Vision, Mission and Values

#### Our Vision & Mission

We partner with members and communities to be their primary financial services provider.

- Partner Assisting, working with, and educating our members and customers
- **Communities** Not only the geographical areas our branches reside, but also those groups with common interests that we serve.

#### Our Values

To achieve our goals, we are committed to demonstrating the following values:

- Caring and Integrity
- Cooperation
- Leadership
- Commitment
- Prosperity

## **Co-operative Principles**

As a true co-operative financial institution, RCU acts in accordance with internationally recognized principles of co-operation:

#### Voluntary and Open Membership

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





#### Democratic Member Control

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

#### Member Economic Participation

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

#### Autonomy and Independence

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

#### Education, Training and Information

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

#### Co-operation among Co-operatives

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

#### Concern for Community

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

## **Corporate Structure and Governance**

The governance of RCU is anchored in the co-operative principle of democratic member control. RCU is established under legislation of the Province of Saskatchewan, and is regulated by The Credit Union Deposit Guarantee Corporation of Saskatchewan (the Corporation). We must comply with The Credit Union Act 1998; The Credit Union Regulations 1999; The Standards of Sound Business Practices; RCU bylaws and policy; and all other applicable Provincial and Federal laws. RCU provides regular reporting to the Corporation and are subject to periodic risk based examinations.





#### **Credit Union Governance Framework**

RCU is committed to meeting the standards of legal and regulatory requirements in order to maintain member confidence and demonstrate financial success.

#### **Code of Conduct and Ethics**

On an annual basis, every director and employee must sign and acknowledge that they have read, understood and complied with the Code of Conduct.

#### **Board of Directors**

#### Mandate and Responsibilities

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

#### Key roles include:

- The Board of Directors is accountable to the members of the Credit Union for directing the affairs of the Credit Union and maintaining policies, which are responsive to their needs and the needs of the Credit Union for sound operations.
- Exercising the powers of the Credit Union directly, or indirectly, through employees.
- Directing the management of the business affairs of the Credit Union.
- Acting honestly and in good faith with a view to the best interests of the Credit Union at the exclusion of other interests.
- Exercising the care, diligence and skill of a prudent person in directing the Credit Union's affairs.
- Establishing and maintaining prudent policies for the operation of the Credit Union.
- Provide and maintain a computer and software system to assist in effective, timely communication between Board, Management and the Credit Union.

In performing its role, the Board approves all significant decisions that affect the Credit Union. The Board meets regularly in-camera, without Management present.

#### **Board Composition**

Our organization is governed by a Board of Directors. The Board oversees the business of Raymore Credit Union to ensure we are managed and operate soundly and prudently. It sets policy and ensures we adhere to applicable legislation, regulation and standards.

Directors must be members in good standing for at least one year. They are elected by the membership and serve three-year terms. Nominations are made by the membership. Voting, if required, is held in branch by paper ballot and election results are announced at Raymore Credit Union's annual general meeting.





Our Board meets regularly. In addition to regular Board meetings, directors serve on one or more Board committees and participate in continuous professional development.

The Raymore Credit Union Board of Directors 2020-2021:

Name	Years of Service	Occupation	Address	Term Expires
Gary Orthner	8	Labourer/Retired	Raymore	2023
Gene Unruh	8	Retired School Principal	Raymore	2023
Lynn Digney-Davis	7	Nurse Practitioner/Farmer	Raymore	2021
Pamela McNab	6	Director of Finance	Punnichy	2022
Amanda Kihn	6	Service Manager	Raymore	2022
Jennifer Senft	3	Farmer	Lipton	2022
Vacant	-	-	-	2021



**Gary Orthner** 



Gene Unruh



Lynn Digney-Davis



Pamela McNab



Amanda Kihn



Jennifer Senft

#### **Committees**

The responsibilities of the Board of a modern financial services organization involve an ever-growing list of duties. Raymore Credit Union maintains a number of committees comprised of directors. This partitioning of responsibilities enables a clear focus on specific areas of activity vital to the effective operation of our Credit Union.





<u>The Executive Committee</u> – acts on behalf of the Board of Directors between regular or special Board meetings on most Board matters.

#### **Your Executive Committee**

Gary Orthner, President Lynn Digney-Davis, Vice-President Gene Unruh, Vice-President

<u>The Governance Committee</u> — evaluates policies, principles and practices of the Credit Union related to governance and to support the Board in its commitment to oversight, independence, transparency, accountability, protection of assets and resources, recourse and regulatory compliance.

#### Your Governance Committee

Amanda Kihn, Chair Lynn Digney-Davis Gene Unruh Gary Othner

<u>The Conduct Review Committee</u> — ensures that Raymore 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.

## Your Conduct Review Committee

Gene Unruh, Chair Amanda Kihn Gary Orthner

<u>The Audit Committee</u> – oversees and assesses the integrity of financial reporting and financial statements; adequacy of internal and external audit functions, adequacy and effectiveness of internal controls, compliance with legal and regulatory requirements, external auditor's qualifications and independence, performance of the external and internal audit functions. The committee consists of 3 directors. The Board determines the skills and abilities needed on the committee and chooses its members accordingly.

#### **Your Audit Committee**

Jennifer Senft, Chair Pamela Kinequon-McNab Lynn Digney-Davis

<u>The Risk Committee</u> — ensures enterprise risk management framework and risk appetite statement are appropriate to optimize liquidity, market/interest rate, credit concentration, legal and regulatory, operations, strategic risk and emerging/reputational risk for the protection and creation of member value. The committee consists of 3 directors. The Board determines the skills and abilities needed on the committee and chooses its members accordingly.

#### Your Risk Committee

Pamela Kinquon-McNab, Chair Lynn Digney-Davis Jennifer Senft

Workplace Violence & Harassment Committee - promotes and maintains an environment that is free of harassment and violence through development, maintenance and compliance of progressive policies and regulations that govern the safety and well-being of our human resources.

#### Your Workplace Violence & Harassment Committee

Lynn Digney-Davis, Co-Chair Gary Orthner, Co-Chair Steven Trew Jennifer MacTavish





#### Compensation and Attendance

Directors are compensated with a per diem for meetings attended. Remuneration is intended to recognize effort and dedication and provide reasonable compensation for time involved. Directors are reimbursed for all reasonable and justifiable expenses incurred while preparing for or participating in meetings, conference calls or as a representative on behalf of the Credit Union. In 2021, your Board of Directors had an average 100% (2020 - 96%) attendance rate for meetings. Total per diem paid to the Directors in 2021 was \$38,600 (2020 - \$31,663) including mileage.

#### Director Training

Raymore Credit Union encourages and supports director training. The Credit Union will provide the necessary opportunities for personal and professional development of Directors and Board Committee members. A minimum of 6 hours of training per year per director is recommended. Directors attend various meetings and training throughout the year. The various courses attended by our Directors in 2021 include: Privacy, Anti-Money Laundering, and CUDA sessions. Director development and training costs for 2021 \$11,843 (2020 - \$4,870).

#### **Board Assessment**

The Board is committed to effective governance and improvement. Bi-annually, the Governance Committee facilitates a Board evaluation process to assess the effectiveness of Board operations. Results of the evaluation form a basis for recommendations for the Board to improve governance practices and self-development.

#### **Executive Management**

Raymore Credit Union's Management team consists of the General Manager and two Executive Managers, who support the General Manager.

General Manager Darren Frisko
Retail Manager Steven Trew

Finance, Administration, Risk & Compliance Manager Jennifer MacTavish, CPA, CA, FCUIC

Our Executive Management team has a total of 61 years combined credit union experience, along with post-secondary and credit union specific educational training.

## Strategy

Each year, the Board of Directors along with the Executive Management team work together to develop a business strategy that is compiled into a formal document called the strategic plan. A balanced scorecard framework is then utilized to measure and monitor our progress towards achieving our strategic objectives. Our balanced scorecard is a working plan that is shared with employees, who all have a stake in delivering the strategy. The scorecard utilizes both financial and non-financial measures along four strategic themes: People and Community, Business Operations & Technology, Membership & Growth and Financial Performance.

Each of these areas has objectives within them; see below for some of these objectives and results for 2021:





		Performance		
	Strategic Themes	Measures	Target	Actual
People & Community	Our people demonstrate the skills and competencies required to recognize needs and proactively propose solutions	Net Promoter Score	Minimum score of 47%	57%
that will contribut	that will contribute to the overall success of Our members, communities and organizations.	Community Involvement	500 hours	464 hours
		Loans per member	\$43,683	\$42,847
relationships. These relationships make us their financial institution of choice. This occurs beyond regular business	Deposits per member	\$60,684	\$56,269	
	mutually beneficial financial relationships. These relationships make us their financial institution of choice. This occurs beyond regular business	Net Promoter Score	Minimum score of 47%	57%
		New "Young Adult" Members	36	24
Business Operations of Technology	Achieve optimal operational efficiency while maintaining relationships with members. Ensuring service delivery is maintained or enhanced according to our standards, while investing in relevant technology, balancing member requirements and affordability.	Efficiency Ratio	68%	68%
	Achieve sufficient financial success to achieve our strategies, while exceeding	Loan to asset ratio	64.70%	68.00%
Financial Performance		Loan Delinquency	<3.00%	2.25%
		Net Income (prior to patronage)	\$1.07M	\$2.17M





#### **Enterprise Risk Management**

As a financial institution, Raymore Credit Union is exposed to a variety of risks. Risk is the downside that exists in almost every component of the Credit Union's activities. Risk represents the potential negative impact, financial loss, or risk to reputation that is possible as we work to achieve our corporate goals. Managing and appropriately balancing risks with business opportunities is the priority of the Board of Directors and Management. An enterprise-wide risk management (ERM) approach is used for the identification, measurement and monitoring of risks. Raymore Credit Union has implemented an ERM framework and actively manages risk.

Risk governance includes setting risk appetite and policy, determining an appropriate organizational structure, and clearly defining authority and responsibility for risk decisions. Our risk philosophy is that we will take on a moderate amount of risk to support our business growth, member commitment and fulfill our capital plan, without undue exposure.

Capital is our primary risk offset. Adequate capital allows the Credit Union to absorb unexpected losses, implement long term strategic plans and signal financial strength.

The Credit Union operations undergo regular independent assessments through external audit, internal audit and regulatory reviews to ensure that the key risks are being mitigated and any potential impacts to capital are reported accordingly.

Following are the groups and committees with authority and responsibility for risk decision within the organization.

#### **Board of Directors**

- Approve risk appetite and policies, and oversee execution of the ERM program by management.
- Monitor overall risk profile, key and emerging risks and risk management activities.
- Review and assess the impact of business strategies, opportunities and initiatives on overall risk position.

#### The Audit Committee and the Risk Committee

- Monitor major risks and recommend acceptable risk levels to the Board.
- Review the appropriateness and effectiveness of risk management and compliance practices.
- Provide oversight of external and internal audit functions.
- Monitor compliance with policy and procedures and the adequacy of controls.
- Monitor capital position.

#### **Executive Management**

- Co-ordinate strategic and operational planning.
- Monitor compliance with policy and procedures.
- Oversee enterprise-wide management of risk and compliance.
- Implement strategies and policies approved by the Board.
- Oversee credit, liquidity, strategic, market, legal and regulatory and operational risk management.
- Establish pricing.





- Establish balance sheet and operational strategies with a focus on achieving financial targets, managing and marketing liquidity risk and optimizing the use of capital.
- Develop processes that identify, measure monitor and control risks.

The ERM framework sets out how risks will be identified assessed and documented. Annually, the top risks that could impact Raymore Credit Union over the next year are identified. These risks are rated on the potential impact that they could have, and the likelihood that they might occur. Risks are rated to determine those that are highest priority, and then strategies are developed to manage these risks.

An annual ERM report is provided to the Board, including details such as: a listing of key risks, a risk map, along with any mitigation strategies. The annual ERM report is also used in determining strategic priorities, in development of the balanced scorecard. Quarterly reporting is provided to the Audit and Risk Committee based on Board approved policy.

#### Strategic Risk

Strategic risk is the risk of adverse decisions, ineffective or inappropriate business plans, or failure to respond to changes in the competitive environment, customer preferences, product obsolescence or resource allocation that 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. The Credit Union has formal planning processes, which result in a strategic business plan and a balanced scorecard that focus on strategic objectives. The Credit Union also uses a comprehensive reporting process to monitor performance relative to plans.

#### Market Risk

Market risk is the exposure to potential loss from changes in market prices or rates. Losses can occur when values of assets and liabilities or revenues are adversely affected by changes in market conditions, such as interest rate or foreign exchange movement. RCU's primary market risk arises from movement in interest rates. There is defined policies around numerous interest rate risk measures, which is then compared to our current and expected future situation through dynamic modelling. We also utilize income simulation for scenarios and stress testing based on changes in interest rates.

Effective management of these risks includes documented policies, which address roles and responsibilities, delegation of authority and limits, risk measurement and reporting, valuation and exception management.

Market risk exposure limits have been set in policy and methods of scenario testing are carried out to determine if limits are exceeded. Results of testing are reported to Executive Management and the Risk Committee.

#### Liquidity Risk

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

Raymore Credit Union uses a number of sources to fund operating requirements, such as member deposits, cash, line of credits and corporate borrowings.





Examples of these risks include: documented policies, which address roles and responsibilities, delegation of authority and limits, risk measurement and reporting, valuation, and exception management. Liquidity is monitored daily. Reporting is provided monthly to the Board of Directors.

#### Credit Risk

Credit risk originates primarily from our direct lending activities and syndicated loans or leases not administered by Raymore Credit Union. To a lesser extent credit risk also extends to our holdings of investments securities. Credit risk is the risk of financial loss resulting from a borrowers or counterparty's inability to meet its obligations.

Credit risk management focuses on underwriting and pricing loans according to their risk and ensuring the overall portfolio is well diversified. There are five parts to credit risk management; including policy, credit granting, monitoring and exposure, portfolio management, and audit. Tolerance and lending policies are set by the Board. Review and revision of lending policy is done on an ongoing basis. The credit unions credit portfolio and lending practices undergo regular and independent assessments through external audit, internal audit, and regulatory reviews. Reports are provided to management and the Board of Directors through the Audit Committee and Risk Committee.

Lending practices are set by the Board of Directors in policy and put into practice through procedures as established by management. Credit granting is performed in accordance with approved policies, procedures and applicable legislation. This includes analysis, pricing, terms and documentation of loans. Pricing parameters are in place to support lenders in pricing decisions and to ensure risk is being offset.

Concentration limits in regards to, industry and size of loans have been designed to reflect our risk tolerances.

#### Legal and Regulatory Risk

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

#### Operational Risk

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

Operational risk exists in all products and services and our delivery of them, including supporting back office processes and systems. Operating risks can be classified into three areas; people, systems and processes. People risk includes the inability to attract and retain appropriate talent. Systems risk addresses technology and our reliance on it, encompassing such risks as security breach or failure of critical systems for an extended period of time. Processes are the way we do things and include risks such as inadequate policy and procedure.





#### Credit Union Market Code

RCU voluntarily adheres to the Credit Union Market Code. This code has been jointly developed by Saskatchewan credit unions, SaskCentral and Credit Union Deposit Guarantee to ensure the protection of credit union members. The code sets forth guidelines for the following areas:

- Complaint handling, which outlines the process for dealing with all complaints regarding the service, products, fees or charges of RCU
- Fair sales, by outlining the roles and relationship of staff to all members/clients and in accordance with the financial services agreement.
- Financial planning process, to advise members/clients on the risks and benefits associated with financial planning services.
- Privacy, to protect the interests of those who do business with RCU. Privacy is the practice to ensure all member/client information is kept confidential and used only for the purpose for which it was gathered.
- Professional standards, to preserve a positive image of RCU among our members, clients and communities.
- Capital management, to ensure our capital structure aligns with our risk philosophy.
- Financial reporting, to adhere to business and industry standards.
- Governance practices, to adhere to the intent and stipulation of our corporate bylaws, which are approved by the membership of Raymore Credit Union.
- Risk management, to ensure all risks are measured and managed in an acceptable fashion.

#### **FINANCIAL RESULTS**

In reviewing results for 2021, we focus on a few key areas: growth, profitability, equity, and productivity.

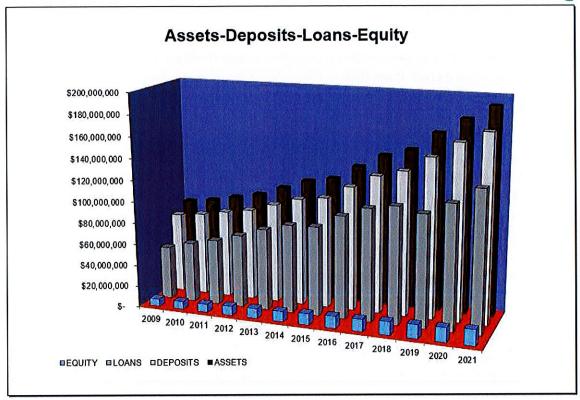
#### Growth

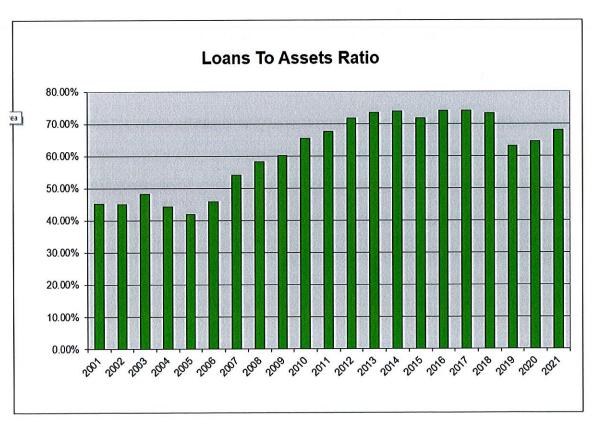
We finished the year with total assets under administration of \$217.5M (\$191.7M on book & \$26M off book), which equates to growth of 8.10% (2020 – 11.72%) for the year, which significantly exceeded budget expectations of 2.03%. Net loans increased \$14.9M to end the year representing 68% of assets. It is the goal of our organization to work towards keeping the loans as a percentage of assets in the 70%-75% range. Loan delinquency over 90 days increased to 2.25% (2020 – 2.02%).

We experienced 6.48% deposit growth in 2021 (2020–9.17%), ending the year at \$173M, surpassing budget of 2.05%.













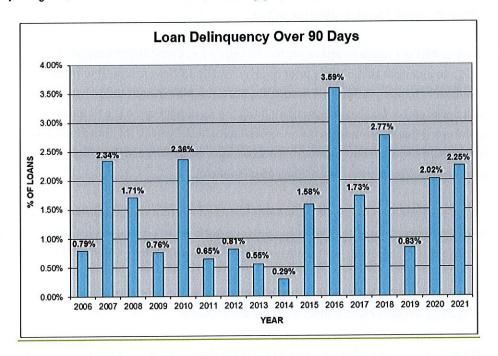
#### Asset Quality

Delinquency over 90 days increased in from 2020 to 2021. The year ended with delinquency at 2.25%.

Credit risk management was enhanced in 2021 to manage the impacts from COVID-19 on the economy and our members. Aligned with our vision and purpose to support or members and communities, Raymore Credit Union worked diligently with borrowers of all sizes to assist them through hardships, while recognizing that industries were impacted differently. The full extent of the impacts from the pandemic to the credit risk portfolio are still unknown at this time as we wait for the economy to recover.

Work continues to manage delinquency in an effort to decrease delinquency to our goal of less than 1.50%.

Historic delinquency trends are illustrated in the following graph:



#### Liquidity Management

One of Raymore Credit Union's primary objectives as a financial institution is to prudently manage liquidity to ensure that we are able to generate or obtain sufficient cash or cash equivalents in a timely manner, at a reasonable price, to meet commitments as they become due, even under stressed conditions. Raymore's liquidity management framework, targets and strategies are established and documented in a Liquidity Management Plan, which is approved by the Board on an annual basis. The purpose of the plan is to ensure the optimal level of liquidity is maintained to meet regulatory and operational needs under both normal and emergency conditions. An inadequate amount of liquidity means that the credit union may not be able to meet member loan demand or that it will not be able to fulfill member demands for withdrawal of their deposits. A surplus of liquidity means that the credit union may not be generating sufficient returns on its funds to achieve an optimum return to its members or depositors.





The principles of Raymore's liquidity management framework are: maintaining a strategy and policies for managing liquidity risk, maintaining a stock of liquid assets, measuring and monitoring funding requirements, managing market access to funding sources, contingency planning and ensuring internal controls over liquidity risk management process.

Raymore has established policy with respect to liquidity and has a number of processes and practices with respect to the management of funding requirements. Raymore's primary source of funding is member deposits in the amount of \$173.5M.

In addition, Raymore maintains external borrowing facilities from various sources. Raymore has secured an authorized line of credit with SaskCentral in the amount of \$2M. In addition, Raymore has a quick-line in place with Concentra Financial in the amount of \$4M. In 2021, Raymore used external borrowing facilities minimally and at December 31, 2021, credit facilities were not in use.

Saskatchewan credit unions are required by the provincial regulator, Credit Union Deposit Guarantee Corporation (CUDGC), to maintain 10% of their prior quarter-end liabilities on deposit with SaskCentral as manager of the Provincial Liquidity Program. Throughout 2021, Raymore Credit Union held the required amount of investments with SaskCentral for the purpose of maintaining its obligation to the Provincial Liquidity Program. In addition to the statutory liquidity investments on deposit with SaskCentral, Raymore maintains a high quality pool of securities to satisfy payment obligations and protect against unforeseen liquidity events. The majority of Raymore's marketable securities are held with Concentra Financial.

In 2017, CUDGC introduced additional liquidity standards based on international requirements. These standards include calculation of and reporting of the Liquidity Coverage Ratio (LCR) on a quarterly basis. 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 to cash at little or no loss of value; and
- Meets its liquidity needs for a 30 calendar day stress scenario.

The minimum LCR 100%. Consistent with Raymore's approach to capital management (see below), Raymore has set its internal target for its LCR at 125% as of January 1, 2017. As at December 31, 2021, Raymore far exceeds the regulatory minimum LCR of 100%.

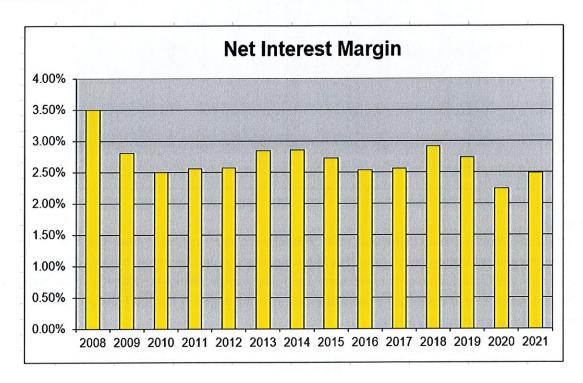
The liquidity management practices that are currently in place have proven to be adequate for the operations Raymore Credit Union. With unexpected loan pay-downs in late 2019 along with significant deposit growth throughout 2020 and 2021, we see our loan to asset ratio remain under 70%. Being highly liquid ensures that we can meet liquidity demands, however, comes at a cost with decreased margins. Our goal, over the long term, will be to work our way back up to a loan to asset ratio in the range of 70-75% while at the same time ensuring that credit is granted within policy and procedures. Management will continue to monitor and analyze the assets/liability matrix and projections to ensure that the credit union remains positioned to meets its liquidity demands. As well, management will ensure HQLA is well diversified to optimize the liquidity position of the credit union.





#### Profitability & Equity

The *net interest margin (NIM)* for a financial institution is the difference between the average rate that we receive on interest earning assets (Loans and investments) less the cost we pay on interest bearing liabilities (member deposits and borrowings) expressed as a percentage of average assets. In 2021, we do see an increase to margin from 2.23% to 2.48%

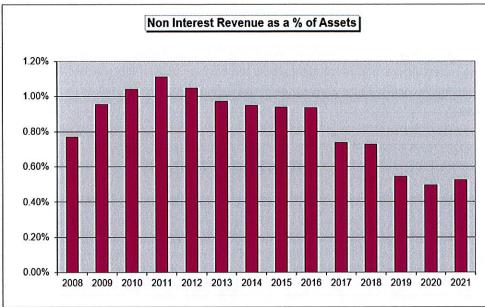


As we entered a full scale pandemic in March of 2020 which continued through 2021, we were unsure as to what 2021 would bring. Although RCU experienced some challenges through the year, the 2021 results were favorable in terms of profitability. Income prior to allocations was \$2.16M, which represents a 1.13% return on assets. We are pleased to announce a patronage allocation of \$400,000, which allowed us to place \$1.38M into reserves (0.72%). Going forward, we continue to recognize that we need to continue to look for opportunities to increase revenue while minimizing operating expenses, to ensure sufficient levels of profit is generated to support balance sheet growth and maintain our equity position.

Non-interest revenue (Other Income) is an important source of revenue for the Credit Union. Non-interest revenue streams for the Credit Union consists of items such as service charges and fees, and insurance and wealth management commissions. With increasing assets and the net interest margin challenges we have been experiencing, we will continue to monitor our non-interest revenues into the future.

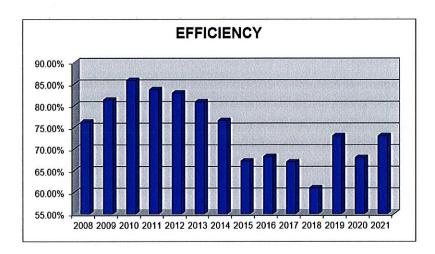






#### **Productivity**

Productivity is monitored in terms of efficiency ratio. This ratio is a measurement of what it costs us (\$) to earn a dollar, hence, our goal is to minimize this ratio. The following graph is consistent with the rapid decline in interest rates beginning in 2008, which squeezed our net interest margins, resulting in higher efficiency ratios. With a focus on non-interest revenues and controlled expenditures, we have managed to finish off the year at 73% (before allocations), in our target range of 70-75%.



## Capital Management

Raymore Credit Union's capital management framework is designed to maintain an optimal level of capital.

Accordingly, capital policies are designed to ensure that Raymore Credit Union meets its regulatory capital requirements, meets internal assessment of required capital and builds long term membership value. Part of our policy enables us to retain a portion of annual earnings in order to meet capital objectives. Once capital



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objectives are met, additional earnings may be allocated to members through member patronage authorized by the Board of Directors. The current member patronage program allocated earnings based on interest paid on qualifying loans and interest received on qualifying deposits during the year in which an allocation is declared.

Credit Union Deposit Guarantee Corporation (CUDGC), regulator of Saskatchewan Credit Unions, 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. CUDGC's Standards of Sound Business Practice (SSBP) that incorporate the Basel III framework took effect on July 1, 2013. The Credit Union's capital management practices have been adjusted to ensure compliance with these requirements.

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. CUDGC prescribes four tests to assess the capital adequacy of credit unions. Regulatory standards require credit unions to maintain minimum levels of capital (as outlined below); however Raymore Credit Union has set board approved policy targets above regulatory minimums (as outlined below):

	regulatory	NCO
	Minimum	Policy
Minimum common equity tier 1 capital to risk weighted capital	7.00%	12-15%
Minimum tier 1 capital to risk weighted capital	8.50%	12-15%
Minimum total eligible capital to risk weighted capital	10.50%	12-15%
Minimum total eligible capital to leveraged assets	5.00%	6-9%

Common equity 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). Currently, Raymore Credit Union's Common Equity Tier 1 capital includes only retained earnings. Deductions from common equity tier 1 capital include goodwill, intangible assets, deferred tax assets, increases in equity capital resulting from securitization transactions, unconsolidated substantial investments and fair value gains/losses on own-use property. Raymore's deductions currently include intangible assets (website). 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. Raymore currently has nothing that qualifies as 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. Raymore's Tier 2 capital includes membership shares of \$1,23M and collective allowance of \$514,468.

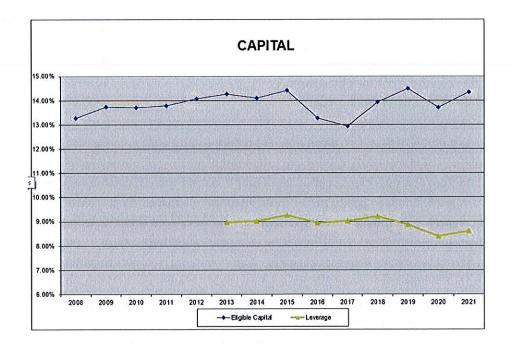




In totality, Raymore Credit Union continues to remain well capitalized and during the year, the Credit Union complied with all internal and external capital requirements:

Common equity tier 1 capital to risk weighted capital	12.84%
Tier 1 capital to risk weighted capital	12.84%
Total eligible capital to risk weighted capital	14.33%
Leverage ratio	8.61%

Board and Management monitor our capital position on a continuous basis. Both strategic and operational initiatives are analyzed, taking into consideration the potential impacts to capital prior to making any decisions. Credit unions are required to have a process in place for assessing their overall capital adequacy in relation to their risk profile, and a strategy for building and maintaining their capital levels. This process is part of the Internal Capital Adequacy Assessment Process, or ICAAP, that credit unions must implement. As a component of ICAAP, Raymore Credit Union in 2013 started this process, and the process will continue into the future. It will require performing rigorous, forward-looking stress testing to complement and validate risk management approaches and identify possible events or changes in market conditions and their effect on the financial condition of the organization.



#### Loan and Residential Mortgage Portfolio

Raymore Credit Union's loan portfolio can be influenced by excessive concentration in a number of ways: geographic region, type of product, industry, demographic characteristic and associated groups or individuals. Land values, commodity prices, home values and personal incomes all have a direct influence on risk in the loan





portfolio. In addition, local industries and the agricultural community are subject to market and weather conditions beyond the control of the credit union and can be difficult to anticipate.

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

Raymore Credit Union loan portfolio is comprised of 25.52% consumer, 51.30% agriculture, 16.91% commercial, 2.22% revolving credit facilities and 4.05% leases. We do have limited geographic exposure given our two localized branches and therefore use syndication to diversify our portfolio, as well as manage concentration limits. We continue to manage on the assumption that a dramatic downturn in any industry could impact earnings and capital of the loan portfolio. As the residential mortgage portfolio is secured by residential properties, which are subject to a decrease in market value in an economic downturn, RCU ensures prudent practices surrounding security, including maximum loan to value (LTV) ratios consistent with regulatory guidelines for residential mortgages (80%) and HELOC's (65%).

At year-end, our loans portfolio was comprised of 6.84% insured residential mortgages and 14.51% uninsured residential mortgages. Of these uninsured residential mortgages, 0.12% are home equity lines of credits (HELOC, one facility with a limit of \$150,000. Insured mortgages are insured through Canada Mortgage & Housing Corporation (CMHC). Insured mortgages require less of a down payment, (less than 20%, minimum 5%), however come at a cost of (insurance premium) that is paid by the borrower. Uninsured or "conventional" residential mortgages require a minimum of 20% down payment. Raymore Credit Union does not believe it has undue risk in its uninsured mortgage portfolio or underwriting practices and that current risk weighted asset based concentration provisions in the ICAAP sufficiently address risk in the residential portfolio.

## **Corporate Social Responsibility**

Raymore Credit Union is dedicated to our communities. We continue to support community-based organizations through cash and in-kind donations, sponsorships and volunteer activities. In 2021, we allocated \$33,035 (2020 - \$14,240) in cash and gifts in kind to organizations in our trading area.

For the 13<sup>th</sup> year, our Growing Communities Grant Program distributed \$10,000 to qualifying worthwhile community projects. This included the Cupar Memorial Rink Association for 2021. In addition to this, our employees have contributed 464 personal volunteer hours to community organizations during the year.





## **Looking Ahead**

2021 brought with it many challenges, from COVID to a severe drought impacting most of western Canada. Your Credit Union achieved growth exceeding budget in deposit and loans, profit was also in excess of budget.

Agriculture continues to drive our local economy. Grain prices are forecast to remain at record levels and given an average year in terms of yield, farm balance sheets should again trend positively upwards.

We continue to monitor and evaluate our product and service offering to your our members to ensure they are relevant and competitively priced. Our strong capital position allows us to remain as an autonomous Credit Union, as capital helps offset risk and generate income for our balance sheet.

Competition remains robust, this coupled with tighter margins due to low interest rates, has created some challenges our Credit Union. Forecasting indicates that we will remain profitable into the foreseeable future, with carefully managed growth. Profitability will improve once interest rates return to normal levels.

Members continue to embrace electronic methods of banking, as opposed to over the counter transactions. As an organization, we will continue to analyze member transactions, to ensure investments in service delivery options are aligned with member preference.

We look forward to proudly serving our members into the future, as we have for the past 72 years. We thank you for your continued support.

Darren Frisko General Manager





#### **Board of Directors Report**

Raymore Credit Union (RCU) has once again had a profitable year. We are pleased once again to announce a patronage allocation to our members. We are happy to be able to give back to our members that have continued to use Raymore Credit Union as their financial business of choice. Thank you to our staff as they work diligently to create the success we have achieved.

We continue to give back to the communities through grants to various organizations and by being involved in various activities that happen throughout the year. We look forward to being involved as we continue to work through the restrictions of COVID-19.

We would like to thank the Management and staff for their continued hard work and the membership for trusting RCU for their financial business.

Gary Orthner President





## GOVERNANCE COMMITTEE REPORT ANNUAL GENERAL MEETING APRIL 18, 2022

Each year, the Board of Directors appoints a Governance Committee. The Committee is responsible for nominating one member for each vacancy created on the Board. The Committee must first obtain the consent of the member so nominated. The Committee will also accept nominations from the membership.

The Bylaws of Raymore Credit Union (Credit Union) and the Credit Union Act set out certain requirements for candidates to qualify to become a director. To be eligible, a candidate:

- 1. Shall be 18 years of age or older.
- 2. Shall have been a member of the Credit Union for at least 3 years.
- 3. Shall use the Credit Union as his/her primary financial institution.
- 4. Shall not be involved in any legal proceeding against the Credit Union or any of its affiliates or subsidiaries, in the previous seven years;
- 5. Shall not be a spouse of a person involved in legal proceedings against the Credit Union or any of its affiliates or subsidiaries.
- 6. Shall not be in bankruptcy (undischarged).
- 7. Shall not have been convicted of a criminal offence relating to theft, fraud or breach of trust.
- 8. Shall not have been convicted of an indictable offence pursuant to the Criminal Code within the last five years.
- 9. Shall not have any loans or credit in arrears with the Credit Union, (in excess of 120 days) in the previous year or have a Judgment registered against them.
- 10. Shall not have been involved in an ownership capacity with any group or organization that caused losses to the Credit Union through write-offs, collection costs, and legal costs;
- 11. Shall not be an employee of the Credit Union within 24 months of the closing date for nominations.
- 12. Shall not be a professional advisor of the Credit Union.
- 13. Shall not be a spouse or common law partner of an employee or Director of the Credit Union.
- 14. Shall not be a Director or employee of a business selling competitive products or services except as a representative of the Credit Union.
- 15. Shall be able to attend regular board meetings (Last Thursday of each month).
- 16. Shall treat all business of the Credit Union in strictest confidence.

This year the Term of Office for three Directors expired and one term was vacant. There were four nominations brought forward. As Acting Chair of the Governance Committee, I am pleased to declare Amanda Kihn, Pamela McNab-Kinequon, Jennifer Senft, and Courtney Orthner are elected by acclamation to the Board of Directors.

Gene Unruh, Acting Chair Governance Committee



#### CREDIT UNION DEPOSIT GUARANTEE CORPORATION

#### **ANNUAL REPORT MESSAGE 2021**

## January 2022

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

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

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