

**AGENDA**  
**59th ANNUAL MEETING**  
**KERROBERT CREDIT UNION LIMITED**  
**MARCH 21, 2022**

1. CALL TO ORDER BY PRESIDENT
2. APPROVAL OF AGENDA
3. CONFIRMATION OF QUORUM (MINIMUM OF 15 MEMBERS)
4. CONFIRMATION OF ADEQUATE MEETING NOTICE
5. CONFIRMATION OF FINANCIAL STATEMENT AVAILABILITY WITHIN REQUIRED TIME
6. MINUTES OF THE 58TH ANNUAL MEETING
7. BUSINESS ARISING FROM MINUTES
8. BOARD OF DIRECTORS' REPORT
9. MANAGEMENT DISCUSSION AND ANALYSIS
10. ADOPTION OF REPORTS PRESENTED
11. NOMINATING COMMITTEE REPORT
12. APPOINTMENT OF AUDITORS FOR 2022
13. PRESENTATION OF SERVICE AWARDS
14. NEW BUSINESS
15. ADJOURNMENT

**KERROBERT CREDIT UNION LIMITED**  
**CHARTER NO. 343**  
**INCORPORATED MAY 1, 1963**

**BOARD OF DIRECTORS**

**EXPIRY OF TERM**

1. Terry Welter	2022
2. Ian Welter	2022
3. Shannon Cholin	2022
4. Brennan Murphy	2023
5. Tracey Cholin	2023
6. Tammy Krahn	2023
7. Nancy Charteris	2024
8. Jan Simon	2024
9. Rob Wiebe	2024

**EXECUTIVE**

President	Brennan Murphy
1 <sup>ST</sup> Vice-President	Ian Welter
2 <sup>ND</sup> Vice-President	Jan Simon

**STAFF**

Trina Duhaime	General Manager
Michelle Henderson	Business Development Manager
Tara MacKinnon	Lending Administrator
Lori Clappison	Deposit Support
Shirleen Fruhstuk	Member Service Representative
Jamie Gramlich	Member Service Representative (Major Branch)
Tammy Neumeier	Member Service Representative (Part-Time)
Shauna Meek	Compliance Officer (Part-Time)

**ANNUAL MEETING OF THE MEMBERS OF  
THE KERROBERT CREDIT UNION LIMITED**

Proof of Notice:

CANADA )  
 )  
PROVINCE OF SASKATCHEWAN ) I, Trina Duhaime,  
 ) of the Town of Kerrobert  
 ) in the Province of Saskatchewan,  
 ) General Manager of the  
 ) Kerrobert Credit Union Limited

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 Bylaws of the Credit Union and the Credit Union Act, 1988.

NOTICE was posted in the Chronicle newspaper starting February 21, 2022, on our website February 22, 2022, and on Facebook, Instagram and in branch beginning February 23, 2022.

Sworn before me at the Town )  
of Kerrobert, in the Province )  
of Saskatchewan, this 14 day )  
of March, 2022 )

  
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A Commissioner for Oaths in and for  
The Province of Saskatchewan  
My commission expires: March 31, 2026

**ANNUAL MEETING OF THE MEMBERS OF THE  
KERROBERT CREDIT UNION LIMITED**

I, Trina Duhaime, General Manager of Kerrobert Credit Union Limited, make oath and say that:

The Auditor's Report and Financial Statement were made available to the membership on March 1, 2022, which is at least 10 days prior to the annual meeting.

Sworn before me at the Town )  
of Kerrobert, in the Province )  
of Saskatchewan, this 14 day )  
of March 2022. )

*Trina Duhaime*

*[Signature]*

A Commissioner for Oaths in and for  
The Province of Saskatchewan  
My Commission expires: March 31, 2026



KERROBERT CREDIT UNION LIMITED  
58<sup>TH</sup> ANNUAL GENERAL MEETING  
MINUTES

DATE: March 15, 2021

TYPE OF MEETING: Annual

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**Call to Order:**

President, Brennan Murphy, called the meeting to order at 7:03 p.m.

**Agenda Approval:**

**2021-19**

**WIEBE-MACKINNON**

Motion was made by Rob Wiebe and seconded by Tara MacKinnon to approve the agenda as presented.

Carried.

**Confirmations:**

As required by our Credit Union bylaws, the staff receptionist recorded 21 members and 0 guests present at the meeting, which confirms we have a quorum and the meeting is now lawfully convened.

Trina Duhaime confirmed that notice of the annual meeting was posted in our office February 17, 2021, on Facebook, Instagram and our website February 19, 2021 and with an ad in the Chronicle on February 22, 2021. Financial statements were available to the membership as of March 4, 2021.

**Meeting Minutes:**

Michelle Henderson read the minutes of the 57<sup>th</sup> Annual Meeting. No business arose from the minutes and no questions were raised.

**2021-20**

**CHOLIN-WELTER**

Motion made by Tracey Cholin and seconded by Terry Welter to approve the minutes as read.

Carried.

### **Special Resolution:**

The membership was asked to consider a resolution to rescind the existing bylaws and replace them with new bylaws as an update and to include provisions for electronic meetings and voting.

General Manager Trina Duhaime presented the new bylaws and the summary of changes.

**2021-21**

**BAHM-CHARTERIS**

Motion made by Brenda Bahm and seconded by Nancy Charteris that the existing Bylaws of Kerrobert Credit Union are rescinded and replaced with the Bylaws as presented.

Carried.

### **Nominations Committee Report:**

Terry Welter, Nominations Committee Returning Officer, presented the nominations criteria. He indicated that three board member terms were up for elections and three nominations were received for Jan Simon, Rob Wiebe and Nancy Charteris.

Additionally, we also had two vacancies on our board throughout 2020. Therefore we had two, two year terms to fill. The Nomination Committee has received nominations from: Tracey Cholin and Tammy Krahn.

All nominations were received at least 21 days prior to the annual meeting, as required by our bylaws. Terry Welter declared we have 5 positions and 5 nominations, all nominees elected by acclamation.

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

Brennan Murphy presented the Board of Directors report highlighting our internal reorganizations with Trina Duhaime accepting the role as General Manager and Lori Clappison accepting a new role as Deposit Support. He explained how our staff handled the COVID restrictions while continuing to serve our members to the best of our abilities. He indicated that we continued to support local events and organizations throughout the year.

**2021-22**

**CHOLIN-WELTER**

Motion made by Shannon Cholin and seconded by Ian Welter to accept the Board of Directors report.

Carried.

**Management Discussion and Analysis:**

Trina Duhaime presented the Management Discussion and Analysis. She highlighted the sale of the manager's house, the continued demand for compliance and technology changes and stated that our website and digital platform would be changing in 2021. Trina Duhaime presented the financial report in terms of asset, loan and deposit growth, ending with the year-end profit amount of \$235,226.00.

**2021-23**

**SIMON-CHARTERIS**

Motion made by Jan Simon and seconded by Nancy Charteris to accept the report as presented.

Carried.

**Appointment of Auditors:**

**2021-24**

**WELTER-CHOLIN**

Motion made by Terry Welter and seconded by Lorne Cholin to appoint MNP as our external auditor for 2021.

**Presentation of Awards:**

Brennan Murphy presented Ian Welter with a 5 year service pin, Terry Welter with a 20 year service pin and Michelle Henderson with a 15 year service pin.

**New Business:**

None to report.

**2021-25**

**CHOLIN**

Motion of adjournment made by Tracey Cholin at 7:28 p.m.

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BRENNAN MURPHY, PRESIDENT

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MICHELLE HENDERSON, SECRETARY

## 2021 KERROBERT CREDIT UNION BOARD OF DIRECTOR'S REPORT

Welcome to the 59<sup>th</sup> Annual Meeting of the Kerrobert Credit Union.

Despite our hope to return to normal life in 2021, we instead faced continuing uncertainty, renewed concerns, and economic disruptions. Throughout this difficult period, Kerrobert Credit Union remained committed to providing excellent customer service to our membership and reinforced our dedication to our community. Our focus is always on the best interests of our membership and the towns and municipalities we serve.

Even though planned events throughout our town and villages were limited throughout the year, our staff were determined to be engaged with our community and promote our credit union mission *to be visible in our community*. The staff presented special treats to our assisted living residents, coffee and a treat to our Hillside residents, a coffee break to our hospital staff, and goodies to all staff at the high school. We were able to host outdoor barbecues to support our local fire departments, we provided three free swimming weekends for everyone to enjoy our community facility free of charge and also hosted education sessions on fraud awareness. Staff celebrated Credit Union week with the annual 'Find Floyd' contest and ended the year with the local food bank drive. In 2021, our donations, sponsorships, and advertising to support our community totaled \$31,135

At the end of 2021 Shauna Meek announced her retirement, we thank her for her years of service to the credit union and wish her well in this next stage of her life. Rebecca Witt has taken on the role of Risk & Compliance, and we welcome her to our credit union community.

On behalf of the board, I would like to recognize the dedication of the entire team in making our Credit Union a success. To the staff, thank you for creating opportunities that promote our credit union and your commitment to service excellence. To my fellow board members, thank you for our continued support and dedication. Together we have made a difference in our communities.

Finally, to our members, your loyalty to our organization has resulted in a profit of \$190,710. Thank you for allowing us to serve you. We look forward to continuing that great service in the years to come.

Brennan Murphy  
President

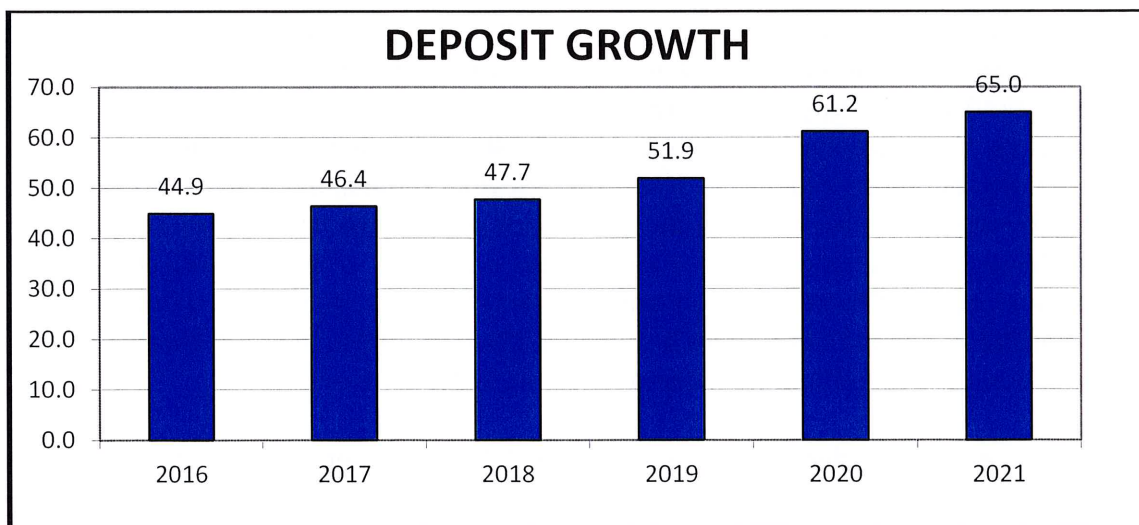
## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Statement Highlights – December 31, 2021

2021 was another year of strong asset growth. Our assets grew to \$70,871,924, or by 6.15% over last year. As this growth is mainly attributed to deposit growth exceeding loan growth, our composition of asset growth was mainly through cash and investments.

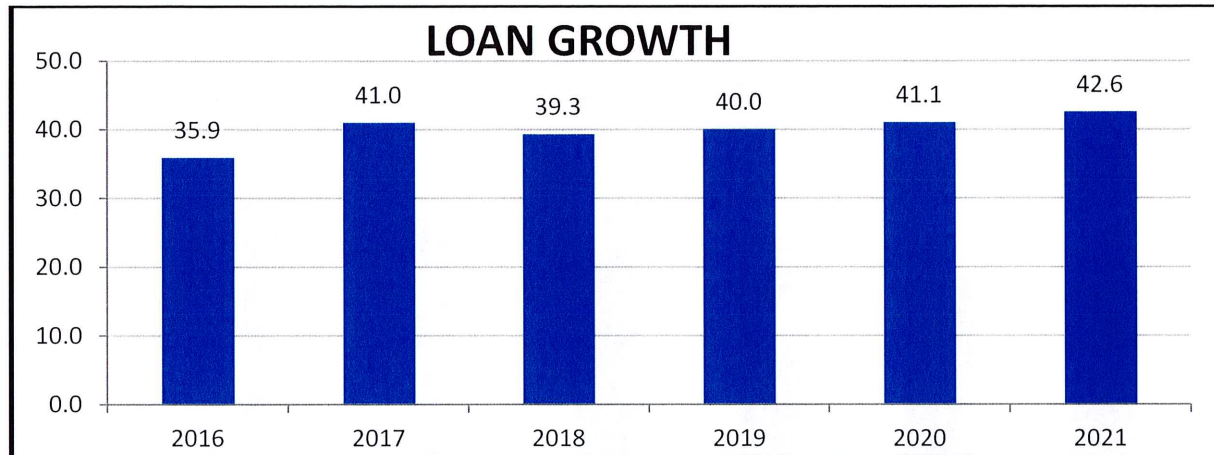


Our member deposits grew by 6.19% or up to \$65,026,057 at the end of 2021. Which is almost four million dollars in growth over 2020. Having a strong deposit base provides us with the means to fund member loans.





Our institution relies on loans for our main income stream. Unfortunately, due to negative loan growth throughout the first seven months of 2021 our revenue was hindered. However, by the middle of August we realized some increased loan demand. Positive growth then continued for the rest of the year. We ended the year at a 60% loan to asset ratio, with \$42,551,459 in loans at a growth rate of 3.5% over last year. 71 loans and lines of credit were approved throughout 2021 for a total of \$14,438,579.

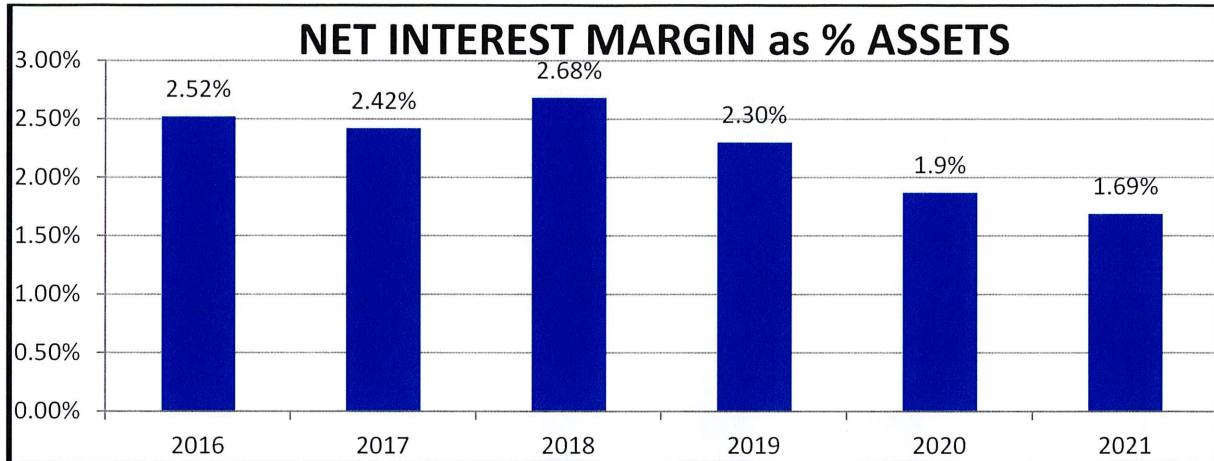


Delinquency levels continue to be well managed. In fact, delinquency over 90 days was 0% for the third year in a row. We communicate regularly with members with accounts that show signs of concern and work on action plans that are in the best interest of all parties. While delinquency is low, we do recognize that some members may have been supported by government programs and low interest rates which provided a safety net for borrowers. Also, agricultural producers may have utilized program support payments after the below average harvest. Eventually these programs will be exhausted, and interest rates are forecasted to increase which could potentially expose the credit union to higher levels of credit risk.

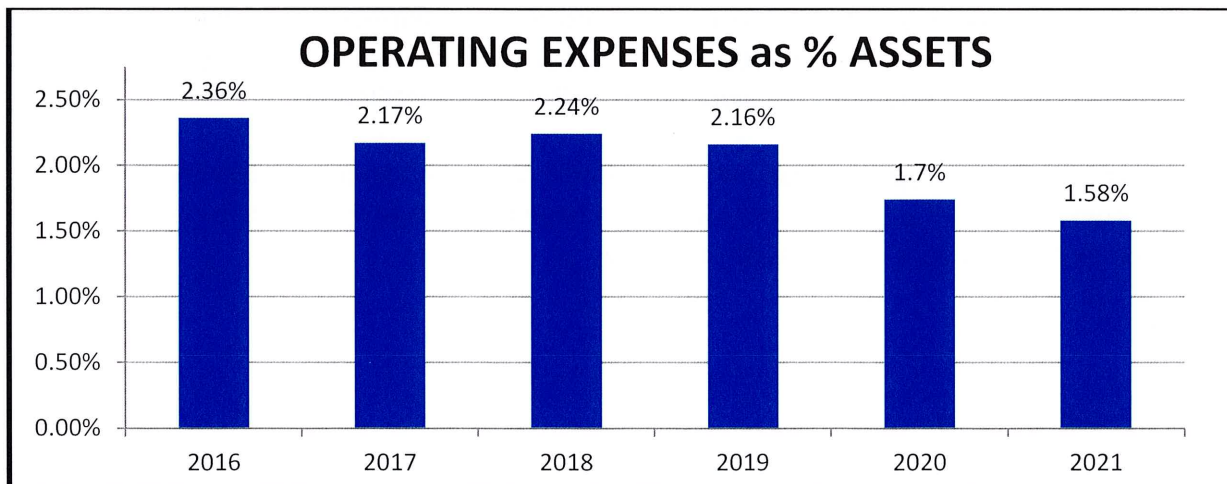
Accounting standards assist us in analyzing our loan portfolio, the level of credit risk and potential for loan losses. This process is influenced by several factors such as historical delinquency, the Canadian economy, unemployment rates and interest rates. Certain industries and regions in our province continue to face challenges because of the ongoing pandemic and the dry conditions experienced over the last year. Managing of our internal loan files is conducted by regular file reviews and our syndication partners provide annual reviews as well for our due diligence and analysis on the external loan portfolio. These reviews and continuous communication with our members and partners allow us to address any ongoing impacts to our portfolio. We did not require a change in the potential loan loss allowance for 2021 but moving forward will continue to monitor changes in our environment.

In 2021, our net interest margin decreased from 1.90% to 1.69%. As member deposit growth outpaced our loan demand throughout a better part of the year, most of which was in interest bearing accounts, this required us to utilize the excess liquidity for investment purchases. Our interest payable on deposits exceeded our expectations, interest revenue on loans fell short of

our budget and our investment revenue declined as rates averaged 0.37% throughout the year whereas prior to the pandemic our average investment rate was 1.71%. We continue to look for opportunities to increase our loan portfolio to generate a higher rate of return than we typically can receive from our corporate investments.



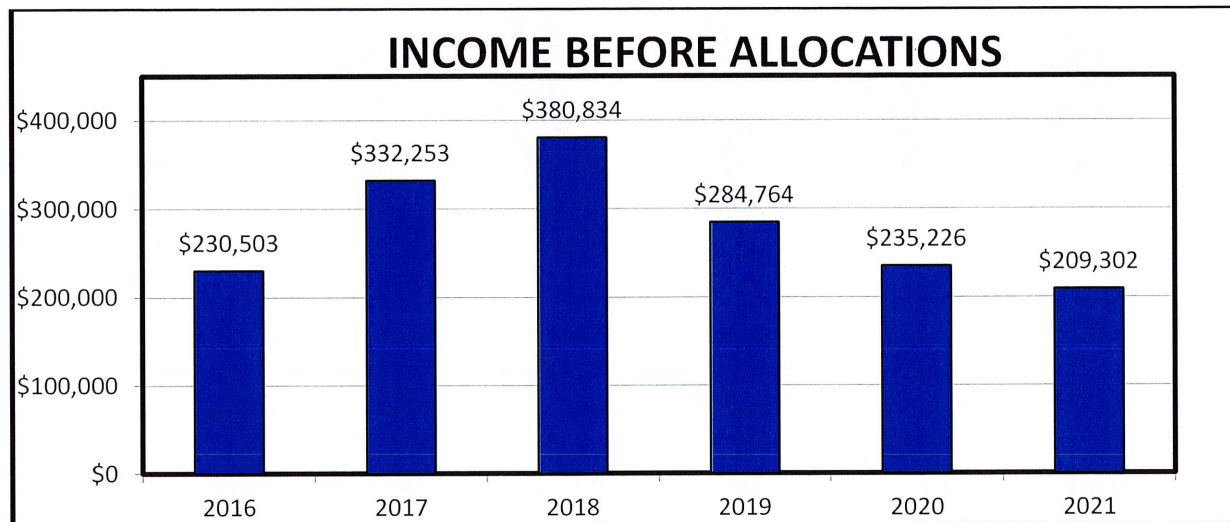
Operating expenses continue to trend in the correct direction with another decrease from 1.7% in 2020 to 1.58% in 2021. Compliance and technology expenses are costly but vital to operate our business. To make advances in technology that serve our members we must manage these expenses while remaining compliant. Throughout 2021 our staff worked on the development of a new public website that will launch in 2022, along with updates to our online banking and mobile applications that are scheduled for quarter four of 2022. We were able to update our e-transfer service to include descriptions of the recipient and sender on each transaction. This feature helps our members track their transactions.



The financial strength of our credit union is primarily measured by our capital ratios. Capital levels are managed according to policies and plans that are reviewed and approved by the Board of Directors. Our regulator, Credit Union Deposit Guarantee Corporation (CUDGC) has set



minimum levels to these ratios. The board sets our policy minimums and targets we aim to achieve above the CUDGC minimums. Two of the main ratios we measure are Leverage (formerly known as equity) and Eligible Capital to Risk Weighted Assets. The Leverage ratio is a measure of members' equity as a percentage of total assets whereas the Eligible Capital to Risk Weighted Assets is a measure of assets and their specific levels of risk compared to equity reserves. CUDGC minimum for Leverage is 5% whereas our policy target is 7% and we achieved a ratio of 8.06%. Additionally, the Eligible Capital to Risk Weighted Assets minimum set by CUDGC is 10.5% whereas our credit union target is 13.0% and we achieved 14.6%. This means we have maintained a strong capital position.



Net income, prior to allocations, declined from 0.35% to 0.30% of assets, resulting in a year end profit of \$209,640 before tax or \$190,710 after tax. Although we experienced downward pressure from the growth in member deposits, the continuing financial effect of the COVID pandemic and economic conditions we were in line with budget predictions.

We continue to navigate through these uncertain times. We have experienced strong growth, we remain compliant in all areas of our business, we have met our goals and policy targets and we have remained profitable with proven resiliency.

Respectfully submitted by

Trina Duhaime B. Comm, FCUIC  
General Manager



## ***VISION, MISSION AND VALUES***

### **Vision**

We aspire to grow our community through service excellence, social responsibility, and financial strength.

*Growing Community* – Kerrobert Credit Union has a commitment to the needs of our members and the community. Beyond providing financial services the Kerrobert Credit Union must provide a leadership role.

*Service Excellence* – Delivering product and service excellence that will result in member satisfaction and community success requires an emphasis on excellence. Excellence is brought to life through the knowledge and expertise of our employees and elected leaders and their connection to the community.

*Social Responsibility* – Kerrobert Credit Union contributes to the welfare of our members and community. From the beginning, the Kerrobert Credit Union has filled needs that have not been satisfied by other financial service providers. Future relevance depends on remaining true to this core strength. Social responsibility is fundamental to the greater role and purpose of the Kerrobert Credit Union.

*Financial Strength* – Kerrobert Credit Union is an institution of trust and integrity. Members and the community alike look to the credit union as a source of investment and contribution. Financial strength is the ability to provide investment for growth and development. Financial strength provides a solid financial base so we can invest in growth for the future.

### **Mission**

Kerrobert Credit Union Limited is a member owned, community-based organization dedicated to the co-operative philosophy, which provides a range of quality personal, financial services to fulfill the needs of the members and the community.

We achieve this through sound financial management and relevant approaches to service and product excellence.

Kerrobert Credit Union promotes the credit union image through involvement and visibility in the community.

### **Values**

Kerrobert Credit Union subscribes to the co-operative principles as endorsed by the International Co-operative Alliance, and the international credit union operating principles as endorsed by the World Council of Credit Unions.

*Co-operation and Accountability* – Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. We work together through a belief

that we can accomplish more together than alone. We consider the effect of our actions on others. In the tradition of our founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

*Communication* – We communicate in an open, effective, and timely manner.

*Community Impact* – We actively support the development of our communities locally, provincially, and beyond. Our communities are stronger because of the credit union system.

*Employee Satisfaction* – We respect our employees and their contribution to our success. We encourage employee involvement and participation. We recognize and reward them for their creativity, teamwork, and achievement. We support their development by providing training and educational opportunities. We respect their need to balance personal and professional lives.

*Financial Strength* – Our strong financial performance allows us to invest in members and the community for future growth. We balance the need for financial results with the needs of our members and communities. The trust and confidence of our members is maintained through sound business practice.

*Product and Service Excellence* – We work with our members and communities to understand their needs and respond with high quality products and services. Our employees provide friendly, knowledgeable, and helpful service.

*Professional Conduct* – Members' financial affairs are conducted with integrity and in a professional manner. Our ethical principles are rooted in the concern for the individual. Confidentiality is integral to the way we do business.

## **CREDIT UNION MARKET CODE**

Kerrobert Credit Union Limited voluntarily adheres to the credit union Market Code. This code has been jointly developed by Saskatchewan Credit Unions, SaskCentral and Credit Union Deposit Guarantee Corporation 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 Kerrobert Credit Union.
- Fair sales by outlining the roles and relationship of staff to all members/clients and in accordance with the financial services agreement.
- Privacy to protect the interests of those who do business with Kerrobert Credit Union. Privacy is the practice to ensure all member/client information is kept confidential and used only for the purpose for which it was gathered.

- Professional standards to preserve a positive image of Kerrobert Credit Union among our members, clients, and communities.
- Capital management to ensure our capital structure aligns with our risk philosophy.
- Financial reporting to adhere to business and industry standards.
- Governance practices to adhere to the intent and stipulation of our corporate bylaws, which are approved by the membership of Kerrobert Credit Union.
- Risk management to ensure all risks are measured and managed in an acceptable fashion.

## ***CO-OPERATIVE PRINCIPLES***

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

### ***Voluntary and Open Membership***

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

### ***Democratic Member Control***

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

### ***Member Economic Participation***

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

### ***Autonomy and Independence***

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



### *Education, Training, and Information*

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

### *Co-operation among Co-operatives*

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

### *Concern for Community*

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

## **INTRODUCTION**

Kerrobert Credit Union is an independent credit union owned by our members. As of December 2021, we had 1230 members.

Kerrobert Credit Union serves the communities of Kerrobert and Major. The Kerrobert office provides a wide range of deposit, lending, and investment products. The Major branch is open part-time, offering deposit and investment services.

## **STRATEGY**

The vision of Kerrobert Credit Union is to be the leading provider of a wide range of financial services in Kerrobert, Major and surrounding area. To monitor our specific objectives throughout the year that support this vision, we have developed a strategic plan that outlines our long and short-term goals. The Board of Directors and management review those goals semi-annually.

The Kerrobert Credit Union reviewed their strategic objectives in late 2021. We still utilize and identify four key focus areas.

The first is *People and Performance*. Within this area, we look to maintain a culture of service excellence that exceeds expectations; ensure we have the right competencies to achieve our strategies; and increase our people's awareness of member opportunities and strengthen their skills to proactively engage our members.

Second is *Members and Community*. Here, we want to enhance the depth of our financial relationships with members and the general public; increase our understanding of our

member's financial needs and assist them in achieving their financial goals; lead our communities through involvement and financial support; and increase the awareness of the Kerrobert Credit Union 'brand' and our credit union difference.

The third area is *Financial Performance*. This is as simple as ensuring optimal financial strength (ie: sufficient profitability and sustainable growth) to achieve our strategies.

The final area is *Development*. We want to position ourselves to succeed in the future state; ensure we have the financial products and services our members want and which make financial sense for our credit union to offer; and we will look to collaborate with like-minded credit unions to achieve our strategies.

## ***ENTERPRISE RISK MANAGEMENT***

Enterprise Risk Management is a systematic process, conducted by your board and management, designed to identify potential events that may affect planned outcomes and responding to those events so as to manage risks to be within its risk appetite and to provide reasonable assurance of entity objectives. Risks are categorized and defined as: Credit/Concentration Risk, Liquidity Risk, Emerging Risks, Reputation Risk, Human Resources Risk, Operational Risks, Strategic Risk, Market/Interest Rate Risk and Legal/Regulatory Risk. Kerrobert Credit Union will maintain appropriate levels of control over all risks faced by the enterprise in the normal course of doing business. These controls are aimed at minimizing uncertainty and maximizing opportunity such that the capacity of the enterprise to protect and grow shareholder value is optimized.

Annually, your Board of Directors will complete a strategic planning process to review and determine the mission, objectives and strategic business priorities of the credit union and establish the basis on which longer term operational decisions will be undertaken.

In setting direction, the business planning process will give preference to decisions made by consensus. The majority rule applies where necessary to assure that decisions are undertaken in the priority given. Implementation of the strategic business plan is the responsibility of the General Manager, who reports to the board at regular meetings on the organization's progress in relation to the plans.

### ***Strategic Risk***

Strategic risk is the risk that adverse decisions, ineffective or inappropriate business plans or failure to respond to changes in the competitive environment, customer preferences, product obsolescence or resource allocation will impact our ability to meet our objectives. This risk is a function of the compatibility of an organization's strategic goals, the business strategies developed to achieve these goals, the resources deployed against these goals and the quality of implementation.

The Board of Directors is accountable to the members of the credit union for directing the affairs of the credit union and maintaining policies that are responsive to their needs and the needs of the credit union for sound operations. The Board of Directors works diligently on behalf of the members to set the corporate strategy and direction, while Management develops and delivers operating strategies.

### ***Market/Interest Rate Risk***

Market risk is the exposure to potential loss from changes in market prices or rates. Losses can occur when values of assets and liabilities or revenues are adversely affected by changes in market conditions, such as interest rate or foreign exchange movement.

At the operational level, asset values are monitored to determine existing market prices, past trends and the most likely future direction. In terms of interest rate risk, management utilizes static gap modeling to ensure that abrupt and unexpected changes in interest rates will not cause a significant impact to the credit union beyond its ability to withstand that impact. Management takes a conservative approach to asset valuation to ensure the credit union is not taking on elevated levels of risk.

Interest rate risk is the probability of a decline in the value of an asset resulting from unexpected fluctuations in interest rates. A couple of examples of this type of risk would be: A large portfolio of loans with variable interest rates and the prime interest rate decreases. This would result in reduced income. A second example would be a member locking their investment in for 5 years and having rates steadily increase over 5 years. This would result in lost investment income for that member, but reduced expenses for the Credit Union.

### ***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.

Each day the credit union monitors the actual inflows and outflows of funds through our SaskCentral clearing account. The credit union has established a \$755,000.00 line of credit on this account. At December 31, 2021 Kerrobert Credit Union held 10.39% of its member liabilities in a Statutory Liquidity Account. The credit union has never had to draw upon this facility to fund its liquidity requirements.

Another liquidity requirement is called the Liquidity Coverage Ratio (LCR). The object of the LCR is to ensure the credit union has an adequate stock of unencumbered high quality liquid assets (HQLA) that consists of assets which can be converted into cash at little or no loss of value; and 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 Credit Union Deposit Guarantee Corporation. As at December 31, 2021 Kerrobert Credit Union was well above the CUDGC regulatory guideline. The guideline remained at 100% or greater for 2021. Kerrobert Credit



Union is still well positioned to remain above regulatory guidelines. We had set our LCR ratio at 120% and as of December 31, 2021 we were at 779.38%.

### ***Credit/Concentration Risk***

Credit risk is the risk of loss arising from a borrower or counterparty's inability to meet its obligations. Examples of sources of credit risk may include direct lending activities and holdings of investment securities. At December 31, 2021 the Kerrobert Credit Union had no delinquent loans over 90 days. We continue to monitor and work with our members in keeping delinquency at a minimum.

Concentration risk is the level of risk in a Financial Institution's portfolio arising from concentration to a single counterparty, sector or country. The risk arises from the observation that more concentrated portfolios are less diverse and therefore the returns on the underlying assets are more correlated. Being that Kerrobert Credit Union has a small trade area, we could consider oil or farming within our area a concentration risk. We look to offset those risks by partnering with other Credit Unions or Credit Union affiliated companies to diversify our loan portfolio outside our trade area. Those agreements are referred to as syndication or participation loans.

When Kerrobert Credit Union is overexposed in a specific area of lending or close to its lending limits, we may sell that loan to another Credit Union, upon their approved assessment of the file. Kerrobert currently syndicates out three loans to other Credit Unions. Another option is when Kerrobert Credit Union purchases loans from elsewhere. This process is used when lending opportunities within our membership are limited or we are looking to diversify our portfolio. Kerrobert has a number of participation loans and leases which it has purchased from other Credit Unions, Concentra Financial and Calidon Leasing.

As per CUDGC guidelines, Kerrobert Credit Union is required to provide additional credit disclosures in regards to the residential mortgage portfolio. When providing residential mortgages, Kerrobert Credit Union has a maximum lending value of 80% of the collateral value. While lending beyond that loan-to-value (LTV) may be considered, it then requires the use of default insurance, which is a contractual coverage that protects our Credit Union's residential portfolio against potential losses caused by borrower default. Kerrobert Credit Union utilizes the Canada Mortgage Housing Corporation (CMHC) to provide this coverage as needed.

A Home Equity Line of Credit (HELOC) is a form of non-amortizing (revolving) credit that is secured by a residential property. Unlike a traditional residential mortgage, most HELOC's do not fit a regular amortization schedule. Kerrobert Credit Union currently holds four HELOC's at a value of \$207,000

A non-conforming mortgage is a mortgage on residential property securing a loan that is approved with exceptions to requirements outlined in policy and procedures. As of December 31, 2021 the credit union held two non-conforming mortgages at a value of \$155,358.67. Due

to the exceptions to policy these types of mortgages would pose more risk to the credit union and therefore are monitored regularly and reported quarterly to the board.

Additionally, Kerrobert Credit Union is registered to hold mortgages in Alberta. As of December 31, 2021 the credit union held three conventional mortgage in Alberta for a value of \$441,370.21. The remainder of our residential mortgage portfolio are Saskatchewan locations.

Kerrobert Credit Union's residential mortgage portfolio as of December 31, 2021 is as follows:

<u>Amortization period</u>	<u>Number</u>	<u>Insured (CMHC)</u>	<u>% of Portfolio</u>	<u>Uninsured (Conventional)</u>	<u>% of Portfolio</u>
Less than 5 years	9	\$78,645.11	0.86%	\$624,075.94	6.84%
5-10 years	39	\$231,259.79	2.53%	\$2,933,620.78	32.15%
11-15 years	14	\$97,714.52	1.07%	\$869,647.84	9.53%
16-20 years	16	\$289,620.19	3.17%	\$2,351,986.62	25.78%
Over 20 years	10	\$653,998.90	7.18%	\$994,000.31	10.89%
<b>TOTAL</b>	<b>88</b>	<b>\$1,351,238.51</b>	<b>14.81%</b>	<b>\$7,773,331.49</b>	<b>85.19%</b>

### ***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. The Kerrobert Credit Union operates in a heavily regulated environment. The credit union's structure, policies and procedures all assist in the compliance with laws and regulations. We have a staff member responsible for anti-money laundering compliance who enforces measures to combat money laundering and terrorist activity risk. We also contract outside resources to assist in this area to ensure compliance.

### ***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.

This risk is managed through the use of policies, procedures, controls and monitoring. Our contracted internal audit service inspects operational risk and reports findings directly to the Audit and Risk Committee to give an independent perspective of risk.

### ***Other Risks***

We have identified other risks from our Enterprise Risk Management process. They are as follows: Emerging risk, Human Resources risk and Reputation risk.



*Emerging risk* is new risks or familiar risks that become apparent in new or unfamiliar conditions. Their sources can be natural or human, and often are both. Emerging risks may include new technologies, as well as economic, societal, environmental, regulatory or political change. While some emerging trends are developing at a slow pace (like demographic changes, societal preferences or cancer research), others can be fast-changing with disruptive potential (like the development of smartphones over the past decade, alternative currencies right now or AI in the future). Slow-moving emerging trends, too, may gain momentum quickly (e.g., medical breakthroughs). Kerrobert Credit Union has been no stranger to many changes over the past number of years.

*Human Resource risk* is any people, culture or governance factor that causes uncertainty in the business environment that could adversely affect the company's operations. Standard basic HR risks could be a shortage of qualified employees, key employee retirements and incomplete/sloppy work just to name a few.

*Reputational risk* is a threat or danger to the good name or standing of a business or entity. Reputational risk can occur in the following ways:

- Directly, as the result of the actions of the company itself
- Indirectly, due to the actions of an employee or employees
- Tangentially, through other peripheral parties, such as joint venture partners or suppliers

## **REGULATORY MATTERS**

### **CORPORATE STRUCTURE AND GOVERNANCE**

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

#### ***Board of Directors:***

##### *Mandate and Responsibilities*

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

The board is comprised of nine individuals elected by the members of the credit union. Terms are for three years. Nominations are made by the Nominating Committee, who is also responsible for finding candidates to fill any vacant positions. Voting, if required is by paper ballot and election results are announced at the annual meeting.

The board members, besides attending regular board meetings, are involved in the Audit and Risk Committee, Executive Committee, Nomination Committee and Conduct Review

Committee. The Credit Committee has board representation for lending requests of the General Manager or Business Development Manager.

<u>Name</u>	<u>Occupation</u>	<u>First Elected</u>	<u>Term Expires</u>
Brennan Murphy, President	Autobody Technician	2002	2023
Ian Welter, 1 <sup>st</sup> Vice	Farmer	2016	2022
Jan Simon, 2 <sup>nd</sup> Vice	Business Owner	2003	2024
Terry Welter	Farmer	2001	2022
Shannon Cholin	Farmer/Retired RN	2019	2022
Rob Wiebe	Farmer	2018	2024
Nancy Charteris	Farmer/Retired Oilfield Admin	2019	2024
Tracey Cholin	Farmer	2021	2023
Tammy Krahn	Business Owner	2021	2023

***Executive Committee:***

The Executive Committee acts in the capacity of, and on behalf of the board between regular and special board meetings on all board matters, except those which the board may not, in compliance with legislative requirements, delegate. The committee consists of the President, 1<sup>st</sup> Vice-President and 2<sup>nd</sup> Vice-President.

***Audit and Risk Committee:***

The Audit and Risk Committee oversees the financial reporting process, reviews financial statements, liaisons with internal and external auditors and regulators, and reviews internal control procedures. The committee consists of three directors. The committee is chosen through appointment at the re-organizational meeting.

***Nomination Committee:***

The Nominating Committee oversees the nomination and election process for elections of credit union directors. The committee is chosen through appointment at the re-organizational meeting.

***Conduct Review Committee:***

The Conduct Review Committee ensures that Kerrobert Credit Union acts with the full integrity and objectivity of its directors and employees, by having in place policies, processes, and practices that protect people and the organization from claims and from the perception of unfair benefit or conflict of interest. The committee is chosen through appointment at the re-organizational meeting.

***Compensations and Attendance:***

Director compensation is found in the notes to the financial statements. All directors are required to attend at least three board meetings annually. In any event, a director shall not

miss more than three consecutive meetings unless excused for good cause by the board. Failure to meet attendance expectations may disqualify a director from continuing in office.

In 2021, the Board of Directors held eleven board meetings and seven committee meetings. Average attendance at the regular board meetings was 80%.

***Director Training:***

The credit union provides the necessary opportunities for personal and professional development of directors.

The credit union will pay related tuition costs, expenses and remuneration for training and development opportunities, as outlined in the “director remuneration” policy of the credit union.

It is acknowledged that the Credit Union Director Achievement (CUDA) program and/or the Board 360 learning program is the starting point for all director development. All new directors are encouraged to enroll in this program. Individual attendance in the various modules of this program will be in accordance with the annual director development plan and budget.

Attendance at credit union system meetings, conferences, conventions, and seminars provide opportunities to support director development. Attendance by individuals at such events is encouraged and will be considered on a case by case basis by the board.

***Executive Management:***

The two positions that comprise the management team are: General Manager and the Business Development Manager. The General Manager is responsible for overseeing credit adjudication, financial management, strategic planning, management of strategic relationships, and general management of the credit union. The Business Development Manager is responsible for the management of the loan portfolio, collections, control of overdrafts and marketing.

The General Manager, Trina Duhaime, has a Bachelor of Commerce Degree and a FCUIC designation (Credit Union General Studies Program). She has more than eighteen years’ experience with Kerrobert Credit Union and additional years in the credit union system. Trina has completed many lending and business courses and attends system meetings when possible.

The Business Development Manager, Michelle Henderson, has been in her present position since January 2015. She has been in the credit union system for over fifteen years, beginning as a Member Service Representative at our Major branch. Michelle continues to take courses to enhance her knowledge in all aspects of our lending portfolio.



The Kerrobert Credit Union Management Team is responsible for managing, monitoring and controlling the credit union operations in accordance with legislation, CUDGC standards of sound business practice and board policies.

***Corporate Social Responsibility (CSR):***

Kerrobert Credit Union has always placed an emphasis on being a good corporate citizen in our community and providing much more than financial services. This commitment is illustrated by not only financial contributions made, but the volunteer hours our employees donate to various local organizations.

In 2021 donations, sponsorships and advertising totaled \$31,134.80. We were able to host barbeques at Major and Kerrobert with all donations going to the local fire departments, we provided Fruit Friday snacks to our Kerrobert school for their breakfast program and supported the Major Play Pals with their healthy snack program. We provided bursary scholarships to eligible graduating students who are furthering their education. Additional donations were made for the replacement of the Zamboni at the Kerrobert Arena, Kerrobert Agricultural Society, Kerrobert Golf Course, Communities in Bloom, Kerrobert Food Bank, Festival of Trees and more. We also have staff volunteering with the Meals on Wheels program throughout the year to give back to the community we serve. Staff volunteered over 365 hours of their own time to various organizations and causes.

***CAPITAL MANAGEMENT***

Kerrobert Credit Union's management and board place a high priority on member service and currently feel the best way to maintain the existing high level of service is remaining autonomous. In order to retain control of our local credit union it is important to manage the capital position of the operation.

The Credit Union Deposit Guarantee Corporation (CUDGC) has set out minimum standards to which all Saskatchewan Credit Unions must adhere. Capital standards have escalated over the past few years. The table on the following page outlines the CUDGC Standards, Kerrobert Credit Union's Policy targets and our year end results.

CUDGC not only expects credit unions to meet these standards, but to exceed them as they are considered only minimum capital standards.

As at December 31, 2021 Kerrobert Credit Union had exceeded the CUDGC regulatory minimums and our internal capital targets.

The credit union has adopted a capital plan that conforms to the capital framework and is regularly reviewed and approved by the Board of Directors.

	<b>CUDGC Standards</b>	<b>KCU Policy Target</b>	<b>KCU as of December 31, 2021</b>
<b>Total Eligible Capital to Risk-Weighted Assets</b>	10.50%	13.70%	14.60%
<b>Tier 1 Capital to Risk-Weighted Assets</b>	8.50%	13.20%	14.37%
<b>Common Equity Tier 1 Capital to Risk-Weighted Assets</b>	7.00%	8.00%	14.37%
<b>Leverage Ratio</b>	5.00%	7.00%	8.06%

The Internal Capital Adequacy Assessment Process (ICAAP) identifies all material risks faced by the credit union and assesses the impact those risks may have on the credit union's regulatory capital. By setting aside sufficient capital to absorb the financial impact of these risks, should they occur, Kerrobert Credit Union helps ensure its long-term viability. The risks and opportunities assessed in the ICAAP process are identified through the capital adequacy reporting, Enterprise Risk Management (ERM) and Stress Testing processes. The Kerrobert Credit Union uses a template to calculate the impact the identified risks will have on capital and liquidity.

As part of the analysis process, an impact and likelihood rating is assigned to each risk and opportunity, consistent with the ERM process. Thus, each opportunity, risk and stress test achieved a severity score in the following categories: low, modest, moderate and high. Specific stress tests that are done to assess the capital or liquidity impact are: 10% increase in loans, 10% decrease in deposits, 30% increase in deposits, 2% interest rate shock & a 30% decrease in the value of residential mortgages. Reverse stress testing is also done. This identifies the financial magnitude of an event that would cause the credit union to breach regulatory and policy capital levels.

Where CUDGC determines a credit union is not in compliance with the Standards or Regulatory Guidance Documents, the Corporation may take any necessary action. Necessary action may include, but is not limited to:

- Reducing or restricting the credit union's authorities and limits;
- Subjecting the credit union to preventive intervention;
- Placing the credit union under supervision or administration;
- Issuing an amalgamation order

Kerrobert Credit Union is committed to the Standards of Sound Business Practice and to the prudent operation of the credit union.

<b>Saskatchewan Credit Union Asset Size</b>				
	<b>Credit Union</b>	<b>Total Assets</b>	<b>Memberships</b>	<b>Locations</b>
1	Affinity Credit Union 2013	6,800,299,697	139,261	56
2	CONEXUS Credit Union 2006	6,703,801,922	167,850	30
3	Innovation Credit Union	3,012,261,048	61,422	25
4	Cornerstone Credit Union Financial Group Limited	1,845,860,906	38,198	23
5	Synergy Credit Union Ltd.	1,639,639,574	28,660	11
6	Prairie Centre Credit Union (2006) Ltd.	1,000,829,578	16,926	15
7	TCU Financial Group Credit Union	744,375,003	13,141	5
8	Weyburn Credit Union Limited	649,876,907	8,979	3
9	Diamond North Credit Union	629,316,387	15,743	8
10	Radius Credit Union Limited	481,398,073	5,125	7
11	Crossroads Credit Union	327,574,653	6,835	4
12	Unity Credit Union Limited	327,398,814	4,500	1
13	Accent Credit Union	275,966,492	4,354	3
14	Biggar and District Credit Union	263,517,886	4,137	3
15	Cypress Credit Union Limited	254,833,074	4,516	6
16	Churchbridge Credit Union	209,529,510	3,331	2
17	St. Gregor Credit Union, Limited	193,133,461	2,386	2
18	Raymore Credit Union	192,137,122	3,072	2
19	Foam Lake Savings and Credit Union Limited	168,506,010	3,148	1
20	Luseland Credit Union Limited	151,457,335	1,696	1
21	LeRoy Credit Union Limited	142,803,687	1,546	1
22	Doddsland and District Credit Union Limited	142,364,899	1,553	1
23	Stoughton Credit Union Limited	137,913,540	1,717	2
24	Prairie Pride Credit Union	130,679,637	2,814	3
25	New Community Credit Union	126,044,752	2,187	1
26	Bruno Savings and Credit Union Limited	101,608,480	1,568	2
27	Turtleford Credit Union Limited	101,322,989	2,071	1
28	North Valley Credit Union	100,895,099	1,634	1
29	Lafleche Credit Union Limited	100,858,798	1,847	2
30	Bengough Credit Union	92,575,201	1,393	3
31	Sandhills Credit Union	91,940,257	1,843	1
32	Saskatoon City Employees Credit Union	80,408,130	2,168	1
33	Kerrobert Credit Union Limited	70,886,371	1,230	2
34	Edam Credit Union Limited	69,688,101	1,083	1
35	Rockglen-Killdeer Credit Union Limited	49,491,819	1,187	1
36	Earl Grey Credit Union Limited	39,816,652	843	1
	<b>Total</b>	<b>27,451,011,864</b>	<b>559,964</b>	<b>232</b>



## CREDIT UNION DEPOSIT GUARANTEE CORPORATION ANNUAL REPORT MESSAGE 2021

**January 2022**

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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](http://www.cudgc.sk.ca).





**Kerrobert Credit Union Limited**  
**Financial Statements**  
*December 31, 2021*

**Kerrobot Credit Union Limited**  
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*For the year ended December 31, 2021*

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## **Management's Responsibility**

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To the Members of Kerrobert Credit Union Limited:

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

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

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

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

February 24, 2022

e-Signed by Trina Duhaime  
2022-02-25 02:08:35:35 GMT  
General Manager

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To the Members of Kerrobert Credit Union Limited:

**Opinion**

We have audited the financial statements of Kerrobert Credit Union Limited (the "Credit Union"), which comprise the statement of financial position as at December 31, 2021, and the statements of comprehensive income, changes in members' equity and cash flows for the year then ended, and notes to the financial statements, including 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.

## Independent Auditor's Report

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Saskatoon, Saskatchewan

February 24, 2022

*MNP LLP*

Chartered Professional Accountants

**MNP**

**Kerrobert Credit Union Limited**  
**Statement of Financial Position**

*As at December 31, 2021*

	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Cash and cash equivalents <i>(Note 5)</i>	17,772,770	23,193,178
Investments <i>(Note 6)</i>	9,134,013	994,792
Member loans receivable <i>(Note 7)</i>	42,551,459	41,101,635
Other assets <i>(Note 8)</i>	197,604	220,126
Property, plant and equipment <i>(Note 9)</i>	1,216,078	1,256,782
	<b>70,871,924</b>	<b>66,766,513</b>
<b>Liabilities</b>		
Member deposits <i>(Note 11)</i>	65,026,057	61,233,979
Other liabilities <i>(Note 13)</i>	192,753	69,980
Membership shares <i>(Note 14)</i>	6,150	6,300
	<b>65,224,960</b>	<b>61,310,259</b>
 <b>Commitments</b> <i>(Note 19)</i>		
 <b>Members' equity</b>		
Retained earnings	5,646,964	5,456,254
	<b>70,871,924</b>	<b>66,766,513</b>

Approved on behalf of the Board

e-Signed by Terry Welter  
 2022-02-25 14:37:05:05 GMT  
 \_\_\_\_\_  
 Director

e-Signed by Ian Welter  
 2022-02-25 14:39:33:33 GMT  
 \_\_\_\_\_  
 Director

The accompanying notes are an integral part of these financial statements

**Kerrobot Credit Union Limited**  
**Statement of Comprehensive Income**

*For the year ended December 31, 2021*

	2021	2020
<b>Interest income</b>		
Member loans	1,512,425	1,624,249
Investments	107,647	209,811
	<b>1,620,072</b>	<b>1,834,060</b>
<b>Interest expense</b>		
Member deposits	418,825	585,343
Borrowed money	1,007	756
	<b>419,832</b>	<b>586,099</b>
<b>Gross financial margin</b>	<b>1,200,240</b>	<b>1,247,961</b>
<b>Other income</b>	<b>130,685</b>	<b>150,973</b>
	<b>1,330,925</b>	<b>1,398,934</b>
<b>Operating expenses</b>		
Personnel	508,783	504,600
Security	63,156	53,875
Organizational	18,639	20,200
Occupancy	117,502	157,878
General business	413,205	427,019
	<b>1,121,285</b>	<b>1,163,572</b>
<b>Income before provision for impaired loans and provision for (recovery of) income taxes</b>	<b>209,640</b>	<b>235,362</b>
<b>Provision for impaired loans (Note 7)</b>	<b>338</b>	<b>136</b>
<b>Income before provision for (recovery of) income taxes</b>	<b>209,302</b>	<b>235,226</b>
<b>Provision for (recovery of) income taxes (Note 12)</b>		
Current	15,666	26,413
Deferred	2,926	(3,375)
	<b>18,592</b>	<b>23,038</b>
<b>Comprehensive income</b>	<b>190,710</b>	<b>212,188</b>

The accompanying notes are an integral part of these financial statements

**Kerrobert Credit Union Limited**  
**Statement of Changes in Members' Equity**  
*For the year ended December 31, 2021*

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	<i>Retained earnings</i>	<i>Total equity</i>
<b>Balance December 31, 2019</b>	<b>5,244,066</b>	<b>5,244,066</b>
Comprehensive income	212,188	212,188
<b>Balance December 31, 2020</b>	<b>5,456,254</b>	<b>5,456,254</b>
Comprehensive income	190,710	190,710
<b>Balance December 31, 2021</b>	<b>5,646,964</b>	<b>5,646,964</b>

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*The accompanying notes are an integral part of these financial statements*



**Kerrobert Credit Union Limited**  
**Statement of Cash Flows**

*For the year ended December 31, 2021*

	<b>2021</b>	<b>2020</b>
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Interest received from member loans	1,530,698	1,616,287
Interest received from investments	103,955	218,851
Other income	130,685	150,973
Cash paid to suppliers and employees	(911,937)	(549,823)
Interest paid on deposits	(504,783)	(624,635)
Interest paid on borrowed money	(1,007)	(756)
Income taxes paid	(26,211)	(7,813)
	<b>321,400</b>	<b>803,084</b>
<b>Financing activities</b>		
Net change in member deposits	3,878,036	9,372,601
Net change in membership shares	(150)	(180)
	<b>3,877,886</b>	<b>9,372,421</b>
<b>Investing activities</b>		
Net change in investments	(8,135,529)	3,500,000
Net change in member loans receivable	(1,468,435)	(1,109,586)
Purchases of property, plant and equipment	(15,730)	(4,547)
Proceeds from disposal of property, plant and equipment	-	141,843
	<b>(9,619,694)</b>	<b>2,527,710</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(5,420,408)</b>	<b>12,703,215</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>23,193,178</b>	<b>10,489,963</b>
<b>Cash and cash equivalents, end of year</b>	<b>17,772,770</b>	<b>23,193,178</b>

*The accompanying notes are an integral part of these financial statements*

**Kerrobert Credit Union Limited**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2021*

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**1. Reporting entity**

Kerrobert Credit Union Limited (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 Major and Kerrobert, Saskatchewan and the surrounding communities. The address of the Credit Union's registered office is 445 Atlantic Avenue, Kerrobert, Saskatchewan.

The Credit Union operates as one segment principally in personal 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 two 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 February 24, 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*, IFRS 16 *Leases* and IAS 39 *Financial Instruments: Recognition and Measurement (Amendments)*

**3. Basis of preparation**

***Basis of measurement***

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

***Functional and presentation currency***

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

***Significant accounting judgments, estimates and assumptions***

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

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

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

**COVID-19 pandemic considerations**

The COVID-19 pandemic has continued to evolve and the economic environment in which the Credit Union operates continues to be subject to sustained uncertainty, which could continue to negatively impact the Credit Union's financial results. The overall impact of the pandemic continues to be uncertain and is dependent on actions taken by Canadian governments, businesses and individuals to limit spread of COVID-19, as well as government economic response and support efforts. While the Canadian economic recovery has continued, momentum has been volatile amid ongoing uncertainty regarding the extent and duration of the impacts of the COVID-19 pandemic. The full extent of the impact that COVID-19, including government and/or regulatory responses to the outbreak, will have on the Credit Union's results is highly uncertain and difficult to predict at this time. Accordingly, the current environment requires particularly complex judgments and estimates in certain areas, which have a higher level of uncertainty with respect to management's judgments and estimates. The Credit Union continues to monitor the changing conditions and their impact.

The Credit Union has detailed policies and internal controls that are intended to ensure that these judgments and estimates are well controlled and independently reviewed, and that policies are consistently applied from period to period and as a result, the Credit Union believes that the estimates of the value of assets and liabilities are appropriate as of December 31, 2021.

The estimate most impacted by the pandemic is the measurement of the allowance for expected credit losses. Information on significant judgments impacted by the COVID-19 pandemic that have the most significant effect on the amounts recognized in the financial statements is described in Note 17.

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

**Classification of financial assets**

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

**Key assumptions in determining the allowance for expected credit losses**

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

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

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

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

- The period over which the Credit Union is exposed to credit risk, considering for example, prepayments, extension options, demand features
- The probability-weighted outcome, including identification of scenarios that specify the amount and timing of the cash flows for particular outcomes and the estimated probability of those outcomes

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

- 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 unquoted equity investments and SaskCentral shares approximates its cost based on the terms that the equity investments can not be transferred, the shares can not be sold and new shares are issued at par value of all currently held shares.

***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.

***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, plant and equipment***

Estimates must be utilized in evaluating the useful lives of all property, plant 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, plant and equipment contained in Note 4.

**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.

**Service charge fees, commission and other revenue**

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

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

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

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

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

***Financial instruments***

***Financial assets***

**Recognition and initial measurement**

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

**Classification and subsequent measurement**

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

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

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 (operating as Wyth Financial) deposits, member loans receivable and accrued interest thereon, and accounts receivable.
- 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.
- 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 other equity instruments and SaskCentral shares.

*Business model assessment*

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

*Contractual cash flow assessment*

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

**Reclassifications**

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

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

**Impairment**

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

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

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

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

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

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

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

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

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

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

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

**Modification of financial assets**

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

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

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

**Financial liabilities**

**Recognition and initial measurement**

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

**Classification and subsequent measurement**

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

**Derecognition of financial liabilities**

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

**Dividend income**

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



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

**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.

**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 deposits are measured at amortized cost. Shares are measured at fair value, with adjustments to fair value recognized in profit or loss.

**Portfolio investments**

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

# Kerrobert Credit Union Limited

## 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 cost to sell. Foreclosed assets are recorded in member loans receivable.

##### **Property, plant and equipment**

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

All assets having limited useful lives are depreciated using the declining balance 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.

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

	<b>Method</b>	<b>Rate</b>
Buildings	declining balance	4 %
Computer hardware	declining balance	30 %
Computer software	declining balance	100 %
Furniture and equipment	declining balance	20 %

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

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

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

**Income taxes**

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

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

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

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

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

**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.

# Kerrobert Credit Union Limited

## Notes to the Financial Statements

For the year ended December 31, 2021

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#### 4. Summary of significant accounting policies (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 leases 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 \$30,754 (2020 – \$31,849) were paid to the defined contribution retirement plan during the year.

#### **Membership shares**

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

#### **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.

#### **IFRS 16 Leases**

Amendments to IFRS 16, issued in March 2021, extend the availability of the exemption for COVID-19 related rent concessions by one year to June 30, 2022. The exemption applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022, provided that the other conditions for applying the practical expedient are met.

The amendments are effective for transactions for annual reporting periods beginning on or after April 1, 2021. The Credit Union does not expect the amendments to have a material impact on its financial statements.

#### **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.

**Kerrobert Credit Union Limited**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2021*

**4. Summary of significant accounting policies** *(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**

	<i>2021</i>	<i>2020</i>
Cash	<b>1,768,780</b>	952,188
Cash equivalents	<b>16,003,990</b>	22,240,990
	<b>17,772,770</b>	23,193,178

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**6. Investments**

	2021	2020
Measured at amortized cost		
SaskCentral and Concentra Bank deposits	8,475,510	475,510
Measured at fair value through profit or loss		
SaskCentral shares	515,000	515,000
Other equity investments	135,529	-
	9,126,039	990,510
Accrued interest	7,974	4,282
	9,134,013	994,792

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

	2021	2020
<b>Investment portfolio rating</b>		
R1	515,000	515,000
Unrated	135,529	-
	650,529	515,000

SaskCentral shares are included in the R1 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.

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

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**Notes to the Financial Statements**  
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**7. Member loans receivable**

Principal and allowance by loan type:

	Principal performing	Allowance for expected credit losses	2021 Net carrying value
Agricultural loans	18,042,237	54,640	17,987,597
Commercial loans	11,565,389	23,767	11,541,622
Consumer loans and lines of credit	1,961,581	236	1,961,345
Local government loans	386,292	177	386,115
Residential mortgages	10,559,643	5,281	10,554,362
	42,515,142	84,101	42,431,041
Accrued interest	120,418	-	120,418
<b>Total</b>	<b>42,635,560</b>	<b>84,101</b>	<b>42,551,459</b>

	Principal performing	Allowance for expected credit losses	2020 Net carrying value
Agriculture loans	10,168,916	78,001	10,090,915
Commercial loans	1,817,705	4,898	1,812,807
Consumer loans	958,559	276	958,283
Lines of credit	1,376,661	-	1,376,661
Mortgages	26,725,204	926	26,724,278
	41,047,045	84,101	40,962,944
Accrued interest	138,691	-	138,691
<b>Total</b>	<b>41,185,736</b>	<b>84,101</b>	<b>41,101,635</b>

The allowance for loan impairment changed as follows:

	2021	2020
Balance, beginning of year	84,101	84,101
Provision for impaired loans	338	136
	84,439	84,237
Less: accounts written off, net of recoveries	338	136
<b>Balance, end of year</b>	<b>84,101</b>	<b>84,101</b>

**8. Other assets**

	2021	2020
Accounts receivable	166,154	196,982
Corporate income tax recoverable	10,770	225
Prepaid expenses and deposits	20,680	22,919
	197,604	220,126



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9. **Property, plant and equipment**

	<i>Land</i>	<i>Buildings</i>	<i>Computer hardware</i>	<i>Computer software</i>	<i>Furniture and equipment</i>	<i>Total</i>
<b>Cost</b>						
Balance at December 31, 2019	72,017	1,664,926	57,817	46,767	162,792	2,004,319
Additions	-	-	3,998	-	549	4,547
Disposals	-	(209,288)	(26,798)	-	-	(236,086)
Balance at December 31, 2020	72,017	1,455,638	35,017	46,767	163,341	1,772,780
Additions	-	-	-	15,730	-	15,730
Balance at December 31, 2021	<b>72,017</b>	<b>1,455,638</b>	<b>35,017</b>	<b>62,497</b>	<b>163,341</b>	<b>1,788,510</b>
<b>Accumulated depreciation</b>						
Balance at December 31, 2019	-	310,962	35,391	46,767	131,216	524,336
Depreciation	-	53,265	7,455	-	6,425	67,145
Disposals	-	(48,685)	(26,798)	-	-	(75,483)
Balance at December 31, 2020	-	315,542	16,048	46,767	137,641	515,998
Depreciation	-	<b>45,604</b>	<b>5,690</b>	-	<b>5,140</b>	<b>56,434</b>
Balance at December 31, 2021	-	<b>361,146</b>	<b>21,738</b>	<b>46,767</b>	<b>142,781</b>	<b>572,432</b>
<b>Net book value</b>						
At December 31, 2020	72,017	1,140,096	18,969	-	25,700	1,256,782
<b>At December 31, 2021</b>	<b>72,017</b>	<b>1,094,492</b>	<b>13,279</b>	<b>15,730</b>	<b>20,560</b>	<b>1,216,078</b>

10. **Line of credit**

The Credit Union has an authorized line of credit due on demand, with no fixed repayment date, bearing interest at prime minus 0.5% (1.95% at December 31, 2021), in the amount of \$755,000 (2020 - \$755,000) from SaskCentral. As at December 31, 2021, \$nil was advanced (2020 - \$nil).

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

11. **Member deposits**

	<i>2021</i>	<i>2020</i>
Chequing, savings, plan 24	44,095,236	38,500,492
Registered savings plans	3,680,059	4,010,045
Term deposits	17,059,544	18,446,267
Accrued interest	191,218	277,175
	<b>65,026,057</b>	<b>61,233,979</b>

**Kerrobert Credit Union Limited**  
**Notes to the Financial Statements**  
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**11. Member deposits** (Continued from previous page)

Member deposits are subject to the following terms:

- Chequing, savings and plan 24 products are payable on demand and bear interest at rates up to 0.7% (2020 - 0.7%).
- Registered savings plans are subject to fixed and variable rates of interest up to 1.3% (2020 - 3.4%), with interest payments due monthly, annually or on maturity.
- Term deposits are subject to fixed and variable rates of interest up to 1.2% (2020 - 3.5%), with interest payments due monthly, annually or on maturity.

**12. Income tax**

**Income tax expense recognized in comprehensive income**

The applicable tax rate is the aggregate of the federal income tax rate of 9% (2020 - 9%) and the provincial tax rate of 0% (2020 - 1.5%).

**Deferred tax expense (recovery) recognized in comprehensive income**

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

	<b>2021</b>	<b>2020</b>
<b>Deferred tax liability</b>		
Property, plant and equipment	<b>(13,397)</b>	(10,471)
<b>Deferred tax asset</b>		
Allowance for impaired loans	<b>9,251</b>	9,251
	<b>(4,146)</b>	(1,220)
<b>Net deferred tax liability is reflected in the statement of financial position as follows:</b>		
Deferred tax liability	<b>(4,146)</b>	(1,220)

**Reconciliation between average effective tax rate and the applicable tax rate**

	<b>2021</b>	<b>2020</b>
Applicable tax rate	<b>27.00 %</b>	27.00 %
Small business deduction	<b>(18.00)%</b>	(16.50)%
Non-taxable and other items	<b>(0.12)%</b>	(0.71)%
<b>Average effective tax rate (tax expense divided by profit before tax)</b>	<b>8.88 %</b>	9.79 %

In December 2020, the provincial government announced changes to the small business tax rate. Effective October 1, 2020, the provincial small business income tax rate will temporarily decrease from 2% to 0% until July 1, 2022. This rate will increase by 1% increments on July 1, 2022 and July 1, 2023.

**13. Other liabilities**

	<b>2021</b>	<b>2020</b>
Accounts payable	<b>188,607</b>	68,760
Deferred tax liability	<b>4,146</b>	1,220
	<b>192,753</b>	69,980

**Kerrobert Credit Union Limited**  
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**14. Membership shares**

Authorized:

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

Issued:

	<b>2021</b>	2020
1,230 Common shares (2020 - 1,260)	<b>6,150</b>	6,300

All common shares are classified as liabilities.

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

During the year, the Credit Union issued 37 (2020 - 20) and redeemed 67 common shares (2020 - 56).

**15. Related party transactions**

***Key management compensation of the Credit Union***

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

	<b>2021</b>	2020
Salaries and short-term benefits	<b>200,820</b>	231,106
Other long-term benefits	<b>16,955</b>	19,597
<b>Total remuneration</b>	<b>217,775</b>	250,703

***Transactions with key management personnel***

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

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

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

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

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

	<b>2021</b>	2020
Aggregate loans to KMP	<b>1,808,913</b>	1,155,814
Aggregate revolving credit facilities to KMP	<b>801,050</b>	771,000
Less: approved and undrawn lines of credit	<b>(741,961)</b>	(757,599)
	<b>1,868,002</b>	1,169,215

**Kerrobert Credit Union Limited**  
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**15. Related party transactions** *(Continued from previous page)*

	2021	2020
During the year the aggregate value of loans and lines of credit approved to KMP amounted to:		
Revolving credit	25,000	-
Loans	887,257	358,490
	912,257	358,490

	2021	2020
Income and expense transactions with KMP consisted of:		
Interest earned on loans and revolving credit facilities to KMP	40,131	39,127
Interest paid on deposits to KMP	8,434	9,149

	2021	2020
The total value of member deposits from KMP as at the year-end:		
Chequing and demand deposits	2,580,800	1,219,375
Term deposits	227,813	197,402
Registered plans	116,044	142,026
	2,924,657	1,558,803

**Directors' fees and expenses**

	2021	2020
Directors' expenses	1,073	1,487

**SaskCentral and Concentra Bank**

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

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 \$106,616 (2020 - \$209,811).

Interest paid on borrowings during the year ended December 31, 2021 amounted to \$1,007 (2020 - \$756).

Payments made for affiliation dues for the year ended December 31, 2021 amounted to \$3,326 (2020 - \$5,804).

**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.

**Kerrobert Credit Union Limited**  
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**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 are based on the Basel III framework, consistent with the financial industry in general.

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

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

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

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

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

	<i><b>Regulatory standards</b></i>	<i><b>Board standards</b></i>
Total eligible capital to risk-weighted assets	<b>10.50 %</b>	<b>13.70 %</b>
Total tier 1 capital to risk-weighted assets	<b>8.50 %</b>	<b>13.20 %</b>
Common equity tier 1 capital to risk-weighted assets	<b>7.00 %</b>	<b>8.00 %</b>
Leverage ratio	<b>5.00 %</b>	<b>7.00 %</b>

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

**Kerrobert Credit Union Limited**  
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**16. Capital management** *(Continued from previous page)*

The following table summarizes key capital information:

	2021	2020
<b>Eligible capital</b>		
Common equity tier 1 capital	5,631,234	5,456,254
Additional tier 1 capital	-	-
<hr/>		
Total tier 1 capital	5,631,234	5,456,254
Total tier 2 capital	90,251	90,401
<hr/>		
Total eligible capital	5,721,485	5,546,655
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<b>Risk-weighted assets</b>		
Total eligible capital to risk-weighted assets	14.60 %	15.30 %
Total tier 1 capital to risk-weighted assets	14.37 %	15.05 %
Common equity tier 1 capital to risk-weighted assets	14.37 %	15.05 %
Leverage ratio	8.06 %	8.26 %

**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.

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

**Risk management process**

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

- Loan security (collateral) requirements
  - Security valuation processes, including method used to determine the value of real property and personal property when that property is subject to a mortgage or other charge
  - Maximum loan to value ratios where a mortgage or other charge on real or personal property is taken as security
- Borrowing member capacity (repayment ability) requirements
- Borrowing member character requirements
- Limits on aggregate credit exposure per individual and/or related parties
- Limits on concentration of credit risk by loan type, industry and economic sector
- Limits on the types of credit facilities and services offered
- Internal loan approval processes and loan documentation standards
- Loan re-negotiation, extension and renewal processes
- Processes that identify adverse situations and trends, including risks associated with economic, geographic and industry sectors
- Control and monitoring processes including portfolio risk identification and delinquency tolerances
- Timely loan analysis processes to identify, assess and manage delinquent and impaired loans
- Collection processes that include action plans for deteriorating loans
- Overdraft control and administration processes
- Loan syndication processes

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

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

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

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

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



**Kerrobert Credit Union Limited**  
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**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	6,410,948	3,444,002
Guarantees and standby letters of credit	25,000	25,000
Commitments to extend credit	100,000	350,000
	<b>6,535,948</b>	<b>3,819,002</b>

**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). The Credit Union considers there not to have been a significant increase in credit risk despite contractual payments being more than 30 days past due when they have interviewed the borrower and determined that payment is forthcoming.

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

*Measurement of expected credit losses*

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

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

**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 expected credit loss calculations are: Saskatchewan unemployment rates, provincial housing starts, national interest rates, national GDP growth, and national oil prices. 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. The information for these assumptions is based off 2022 economic forecasts. These assumptions were shocked up and down 10-30% in the best and worst case scenario.

The typical weighting used in the model is 80% base, 10% best and 10% worst case, as the base case is historically the most likely scenario. Due to uncertainties around COVID-19, the weightings chosen at December 31, 2020 and December 31, 2021 were adjusted to 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.

*Write-offs*

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

**Exposure to credit risk**

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

**Kerrobert Credit Union Limited**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2021*

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

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

	2021		Total
	12-month ECL	Lifetime ECL (not credit impaired)	
<b>Consumer loans and lines of credit</b>			
Low risk	1,961,581	-	1,961,581
Total gross carrying amount	1,961,581	-	1,961,581
Less: loss allowance	236	-	236
Total carrying amount	1,961,345	-	1,961,345
<b>Residential mortgages</b>			
Low risk	10,384,393	-	10,384,393
Moderate risk	-	175,250	175,250
Total gross carrying amount	10,384,393	175,250	10,559,643
Less: loss allowance	5,239	42	5,281
Total carrying amount	10,379,154	175,208	10,554,362
<b>Commercial loans</b>			
Low risk	11,565,389	-	11,565,389
Total gross carrying amount	11,565,389	-	11,565,389
Less: loss allowance	23,767	-	23,767
Total carrying amount	11,541,622	-	11,541,622
<b>Agricultural loans</b>			
Low risk	17,845,106	-	17,845,106
Moderate risk	-	197,131	197,131
Total gross carrying amount	17,845,106	197,131	18,042,237
Less: loss allowance	52,054	2,586	54,640
Total carrying amount	17,793,052	194,545	17,987,597
<b>Local government loans</b>			
Low risk	386,292	-	386,292
Total gross carrying amount	386,292	-	386,292
Less: loss allowance	177	-	177
Total carrying amount	386,115	-	386,115
<b>Total</b>			
Low risk	42,142,761	-	42,142,761
Moderate risk	-	372,381	372,381
Total gross carrying amount	42,142,761	372,381	42,515,142
Less: loss allowance	81,473	2,628	84,101
Total carrying amount	42,061,288	369,753	42,431,041

**Kerrobert Credit Union Limited**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2021*

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

	12-month ECL	2020 Lifetime ECL (not credit impaired)	Total
<b>Consumer loans and lines of credit</b>			
Low risk	2,331,090	-	2,331,090
Total gross carrying amount	2,331,090	-	2,331,090
Less: loss allowance	276	-	276
Total carrying amount	2,330,814	-	2,330,814
<b>Residential mortgages</b>			
Low risk	11,542,626	-	11,542,626
Moderate risk	-	177,119	177,119
Total gross carrying amount	11,542,626	177,119	11,719,745
Less: loss allowance	888	38	926
Total carrying amount	11,541,738	177,081	11,718,819
<b>Commercial loans</b>			
Low risk	8,051,455	-	8,051,455
Moderate risk	-	2,728,307	2,728,307
Total gross carrying amount	8,051,455	2,728,307	10,779,762
Less: loss allowance	1,690	2,829	4,519
Total carrying amount	8,049,765	2,725,478	10,775,243
<b>Agriculture loans</b>			
Low risk	15,424,550	-	15,424,550
Moderate risk	-	203,096	203,096
Total gross carrying amount	15,424,550	203,096	15,627,646
Less: loss allowance	73,085	4,916	78,001
Total carrying amount	15,351,465	198,180	15,549,645
<b>Local government loans</b>			
Low risk	588,802	-	588,802
Total gross carrying amount	588,802	-	588,802
Less: loss allowance	379	-	379
Total carrying amount	588,423	-	588,423
<b>Total</b>			
Low risk	37,938,523	-	37,938,523
Moderate risk	-	3,108,522	3,108,522
Total gross carrying amount	37,938,523	3,108,522	41,047,045
Less: loss allowance	76,318	7,783	84,101
Total carrying amount	37,862,205	3,100,739	40,962,944

**Kerrobert Credit Union Limited**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2021*

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

*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 Kerrobert, Saskatchewan and surrounding areas.

**Amounts arising from expected credit losses**

*Reconciliation of the loss allowance*

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

	12-month ECL	Lifetime ECL (not credit impaired)	Total
<b>Consumer loans and lines of credit</b>			
Balance at January 1, 2020	437	-	437
Net remeasurement of loss allowance	(161)	-	(161)
Balance at December 31, 2020	276	-	276
Net remeasurement of loss allowance	(40)	-	(40)
Balance at December 31, 2021	236	-	236
<b>Residential mortgages</b>			
Balance at January 1, 2020	7,381	-	7,381
Net remeasurement of loss allowance	(6,493)	38	(6,455)
Balance at December 31, 2020	888	38	926
Net remeasurement of loss allowance	4,351	4	4,355
Balance at December 31, 2021	5,239	42	5,281
<b>Commercial loans</b>			
Balance at January 1, 2020	50,475	-	50,475
Net remeasurement of loss allowance	(48,785)	2,829	(45,956)
Balance at December 31, 2020	1,690	2,829	4,519
Net remeasurement of loss allowance	22,077	(2,829)	19,248
Balance at December 31, 2021	23,767	-	23,767
<b>Agricultural loans</b>			
Balance at January 1, 2020	24,884	845	25,729
Net remeasurement of loss allowance	48,201	4,071	52,272
Balance at December 31, 2020	73,085	4,916	78,001
Net remeasurement of loss allowance	(21,031)	(2,330)	(23,361)
Balance at December 31, 2021	52,054	2,586	54,640

**Kerrobert Credit Union Limited**  
**Notes to the Financial Statements**  
For the year ended December 31, 2021

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

	12-month ECL	Lifetime ECL (not credit impaired)	Total
<b>Local government loans</b>			
Balance at January 1, 2020	79	-	79
Net remeasurement of loss allowance	300	-	300
<hr/>			
Balance at December 31, 2020	379	-	379
Net remeasurement of loss allowance	(202)	-	(202)
<hr/>			
Balance at December 31, 2021	177	-	177
<hr/>			
<b>Total</b>			
Balance at January 1, 2020	83,256	845	84,101
Net remeasurement of loss allowance	(6,938)	6,938	-
<hr/>			
Balance at December 31, 2020	76,318	7,783	84,101
Net remeasurement of loss allowance	5,155	(5,155)	-
<hr/>			
Balance at December 31, 2021	81,473	2,628	84,101

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

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

**Market risk**

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

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

**Kerrobert Credit Union Limited**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2021*

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

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 net interest margin by \$42,683 (2020 - \$18,830) over the next 12 months while an immediate and sustained 100 basis point decrease in interest rates would decrease net interest margin by \$42,683 (2020 - \$18,830) over the next 12 months.

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

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

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

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

***Interest rate sensitivity***

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

***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.

**Kerrobert Credit Union Limited**  
**Notes to the Financial Statements**  
For the year ended December 31, 2021

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

	<i>(In thousands)</i>					2021	2020
	On demand	Within 3 months	Over 3 months to 1 year	Over 1 year	Non-Interest Sensitive	Total	Total
<b>Assets</b>							
Cash and cash equivalents	12,504	3,500	-	-	1,769	17,773	23,193
Average yield %	0.29	0.26	-	-	-	0.26	0.31
Investments	136	515	3,475	5,000	8	9,134	995
Average yield %	0.29	0.26	1.05	0.40	-	0.64	1.30
Member loans receivable	4,767	2,534	10,070	25,060	120	42,551	41,102
Average yield %	4.36	4.12	3.40	3.73	-	3.74	3.96
Accounts receivable	-	-	-	-	166	166	197
	<b>17,407</b>	<b>6,549</b>	<b>13,545</b>	<b>30,060</b>	<b>2,063</b>	<b>69,624</b>	65,487
<b>Liabilities</b>							
Member deposits	24,670	5,066	9,127	6,362	19,801	65,026	61,234
Average yield %	0.32	1.65	1.09	1.93	-	0.59	0.85
Accounts payable	-	-	-	-	189	189	69
Membership shares	-	-	-	-	6	6	6
	<b>24,670</b>	<b>5,066</b>	<b>9,127</b>	<b>6,362</b>	<b>19,996</b>	<b>65,221</b>	61,309
<b>Net sensitivity</b>	<b>(7,263)</b>	<b>1,483</b>	<b>4,418</b>	<b>23,698</b>	<b>(17,933)</b>	<b>4,403</b>	4,178

**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.

The primary liquidity risk policies and procedures include the following:

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



**Kerrobert Credit Union Limited**  
**Notes to the Financial Statements**  
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**17. Financial instruments** *(Continued from previous page)*

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:**

	<i>(In thousands)</i>			
	<b>&lt; 1 year</b>	<b>1-2 years</b>	<b>&gt; 3 years</b>	<b>Total</b>
Member deposits	58,664	3,840	2,522	65,026
Accounts payable	189	-	-	189
Membership shares	-	-	6	6
<b>Total</b>	<b>58,853</b>	<b>3,840</b>	<b>2,528</b>	<b>65,221</b>

As at December 31, 2020:

	<i>(In thousands)</i>			
	<b>&lt; 1 year</b>	<b>1-2 years</b>	<b>&gt; 3 years</b>	<b>Total</b>
Member deposits	51,868	5,329	4,037	61,234
Accounts payable	69	-	-	69
Membership shares	-	-	6	6
<b>Total</b>	<b>51,937</b>	<b>5,329</b>	<b>4,043</b>	<b>61,309</b>

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:**

	<i>(In thousands)</i>			
	<b>&lt; 1 year</b>	<b>1-2 years</b>	<b>&gt; 3 years</b>	<b>Total</b>
Cash and cash equivalents	17,773	-	-	17,773
Investments	4,134	-	5,000	9,134
Member loans receivable	17,491	12,800	12,260	42,551
Accounts receivable	166	-	-	166
<b>Total</b>	<b>39,564</b>	<b>12,800</b>	<b>17,260</b>	<b>69,624</b>

# Kerrobot Credit Union Limited

## Notes to the Financial Statements

*For the year ended December 31, 2021*

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

As at December 31, 2020:

	<i>(In thousands)</i>			
	< 1 year	1-2 years	> 3 years	Total
Cash and cash equivalents	23,193	-	-	23,193
Investments	519	-	476	995
Member loans receivable	18,810	11,292	11,000	41,102
Accounts receivable	197	-	-	197
<b>Total</b>	<b>42,719</b>	<b>11,292</b>	<b>11,476</b>	<b>65,487</b>

### 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 beginning of the reporting period, the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2, as well as no transfers into or out of Level 3 during the period.

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

#### ***Financial assets and financial liabilities measured at fair value***

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

<i>(In thousands)</i>	<b>Fair value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>2021 Level 3</b>
<b>Financial assets</b>				
Cash	1,769	1,769	-	-
SaskCentral shares	515	-	-	515
Other equity investments	136	-	136	-
<b>Total financial assets</b>	<b>2,420</b>	<b>1,769</b>	<b>136</b>	<b>515</b>
<i>(In thousands)</i>	<b>Fair value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>2020 Level 3</b>
<b>Financial assets</b>				
Cash	952	952	-	-
SaskCentral shares	515	-	-	515
<b>Total financial assets</b>	<b>1,467</b>	<b>952</b>	<b>-</b>	<b>515</b>

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

For fair value measurements of Level 3 SaskCentral 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:

	<b>Carrying amount</b>	<b>Fair value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<i>(In thousands)</i>					<b>2021</b>
<b>Financial assets measured at amortized cost</b>					
Cash equivalents	16,004	16,004	16,004	-	-
Investments	8,483	8,515	-	8,515	-
Member loans receivable	42,551	42,542	-	42,542	-
Accounts receivable	166	166	-	166	-
<b>Total financial assets</b>	<b>67,204</b>	<b>67,227</b>	<b>16,004</b>	<b>51,223</b>	<b>-</b>

**Financial liabilities measured at amortized cost**

Member deposits	65,026	65,266	-	65,266	-
Accounts payable	189	189	-	189	-
Membership shares	6	6	-	-	6
<b>Total financial liabilities</b>	<b>65,221</b>	<b>65,461</b>	<b>-</b>	<b>65,455</b>	<b>6</b>

	<b>Carrying amount</b>	<b>Fair value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<i>(In thousands)</i>					<b>2020</b>
<b>Financial assets measured at amortized cost</b>					
Cash equivalents	22,241	22,241	22,241	-	-
Investments	480	505	-	505	-
Member loans receivable	41,102	41,041	-	41,041	-
Accounts receivable	197	197	-	197	-
<b>Total financial assets</b>	<b>64,020</b>	<b>63,984</b>	<b>22,241</b>	<b>41,743</b>	<b>-</b>

**Financial liabilities measured at amortized cost**

Member deposits	61,234	61,674	-	61,674	-
Accounts payable	69	69	-	69	-
Membership shares	6	6	-	-	6
<b>Total financial liabilities</b>	<b>61,309</b>	<b>61,749</b>	<b>-</b>	<b>61,743</b>	<b>6</b>

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

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

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

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

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

**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 based on the average number of outstanding accounts throughout the year. The annual operating fees for the year ended December 31, 2021 were \$47,862 (2020 - \$50,600) and recorded as an expense. The annual estimated fee for the year ended December 31, 2022 is \$45,032 (2021 - \$47,862).

In 2021, the Credit Union entered into an agreement to purchase units in the MDL Real Estate 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 \$135,529 (2020 - \$nil) of their total commitment of \$500,000 to the MDL Real Estate 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 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 complete 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 provided approximately 20 (2020 - 23) members with CEBA loans and had funded approximately \$760,000 (2020 - \$980,000) 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.