2023 ANNUAL Report

TURTLEFORD
Credit Union

Saskatchewan
Credit Unions

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TURTLEFORD CREDIT UNION LIMITED

52ND ANNUAL GENERAL MEETING

MONDAY, MARCH 25TH, 2024

TURTLEFORD CREDIT UNION

AGENDA

6:30PM Annual Meeting

- Call to Order
  President's Opening Remarks
- Confirmation of a Quorum
- Adoption of Agenda
- Minutes of the 51st Annual General Meeting
- President's and General Manager's Report
- Management Discussion and Analysis Report
- Auditor's Report
- Appointment of Auditors
- Nominating Committee Report
- Other Business
- Door prizes
- Adjournment

TURTLEFORD CREDIT UNION LIMITED STAFF

As of March 1st 2024

IAN HEGGSTROM
GENERAL MANAGER

HOLLY MATIAS
OFFICE MANAGER

JULIE BRENDLE
LOANS MANAGER

PATRICIA FINK
LOANS OFFICER

MELANIE LOCKE
LOANS CLERK/OFFICER

DARCEY JENKINS
LOANS OFFICER

TURTLEFORD CREDIT UNION LIMITED STAFF

As of March 1st 2024

ANDY METLEWSKY

PROJECTS & IT SUPPORT

SHELLY TUCKER

INVESTMENTS OFFICER

NETANIS TARR

ACCOUNTING ADMINISTRATOR

JESSICA SCOTT

MARKETING OFFICER

SHELLEY LAVOIE

MEMBER SERVICE REPRESENTATIVE

SARA HUDJIK

MEMBER SERVICE REPRESENTATIVE

TURTLEFORD CREDIT UNION LIMITED STAFF

As of March 1st 2024

SHAY MACNAB
MEMBER SERVICE
REPRESENTATIVE

LINDEN PRIEST
MEMBER SERVICE
REPRESENTATIVE

CHEYENNE SUMMERS
MEMBER SERVICE
REPRESENTATIVE

TURTLEFORD CREDIT UNION LIMITED
BOARD OF DIRECTORS

Robert Mitchell
President

Terry Maess
Vice President

Neil Gervais

Bruce Meikle

Rob Bannerman

Larry Macnab

Carolyn Marsh

Jeff Pilling

Trudy McMurphy

2023 AT TURTLEFORD CU

PINK SHIRT DAY - ANTIBULLYING

2022 ANNUAL GENERAL MEETING

AG OUTLOOK WITH BRAD MAGNUSSON

ANNUAL BBQ

RED DRESS DAY MAY 05

MMIWG WALK

GRADUATE 2023

ICU DAY OCT 19TH

GOLF

HALLOWEEN

CHRISTMAS

UGLY SWEATER DAY

ANNUAL MEETING OF THE MEMBERS OF
THE TURTLEFORD CREDIT UNION LIMITED

1. **Affidavit of Completion of Reports:**

I, Ian Heggstrom, General Manager of Turtleford Credit Union, make oath and say that:

The Auditor's Report and Financial Statements at December 31, 2023 were made available to the Membership on March 15, 2024, which is at least 10 days prior to the Annual Meeting.

2. **Proof of Notice:**

CANADA	)	I, Ian Heggstrom
PROVINCE OF SASKATCHEWAN	)	of the Town of Turtleford
	)	in the Province of Saskatchewan,
	)	Secretary of Turtleford 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 Turtleford Credit Union.

Notice was posted in the Turtleford Credit Union office on February 1, 2024;

And the Turtleford Credit Union website www.turtlefordcu.ca on February 1, 2024;

And published in the Regional News Optimist weekly from January 25th 2024 to February 15th , 2024.

Sworn before me at the Town of Turtleford	)	
In the Province of Saskatchewan this 18th day of	)	
March, 2024.	)	

Julie Breadle

A Commissioner for Oaths in and for the
Province of Saskatchewan.
My Appointment expires November 30, 2025.

TURTLEFORD CREDIT UNION LIMITED
Minutes of the 51st Annual General Meeting
Monday March 27th, 2023 at Turtleford Community Centre

Robert Mitchell, President of the Board of Directors, welcomed everyone to the AGM, and a return to in-person AGMs, and thanked Brad Gitzel for catering a great supper. We had 53 Members and 7 Guests in attendance for the supper, with all but one Member and one Guest remaining for the meeting. The following Guests were introduced:

- Curt Wagner, Partner, MNP – representing the credit union's external auditor.
- Don Wheler, Director, Synergy Credit Union.
- Blair Wingert, CEO, Prairie Centre Credit Union.
- Michelle MacDonald, Chief Information Officer, Prairie Centre Credit Union.

Robert Mitchell called the meeting to order at 6:50pm, and introductions of the Board of Directors were then made. Robert advised that for the purposes of this meeting, the Board appointed himself as Chair of the meeting, and Kerry Domes to stand as the recording secretary.

Confirmation of quorum present, and that the meeting was regularly and lawfully convened and could proceed, was reviewed and noted.

Adoption of Agenda

Robert Mitchell called for a motion to approve the Agenda as presented.
M/S Neil Gervais/Rob Bannerman that the Agenda be adopted as presented. **CD.**

Adoption of Previous Year's Minutes

Robert asked Members to review the Minutes from the previous year's AGM, rather than read them out line by line. After a few minutes, Robert asked if there were any questions as regards the previous years' meeting, and hearing none called for a motion to adopt the Minutes as presented.
M/S Larry Macnab/Trudy McMurphy that the minutes of the 50th Annual General Meeting be accepted as presented. **CD.**

President's and General Manager's Report

Robert Mitchell, President of the Board of Directors, presented the President's and General Manager's Report. Conor Johnson, Board member, and Melanie Locke, staff member, were called up separately to receive service awards.

Management Discussion & Analysis Report

Ian Heggstrom, General Manager, provided a summary of the year, referencing the MD&A report. There were no questions raised after the report was presented.

M/S Neil Gervais/Bruce Meikle that the President's Report and Management Discussion and Analysis report be accepted as presented. **CD.**

Auditor's Report

Curt Wagner, Partner with MNP, presented a brief summary of the Auditor's Report and Annual Financial Statements. He noted most people had copies of the Annual Report with the Summary Financial statements, and that the full Statements were available at the Credit Union and on the Credit Union's website. In sum, it was a clean audit, as noted in the Report. There were no questions raised after the presentation.

M/S Julie Brendle/Denise Jalbert that the Auditor's Report and Annual Financial Statement be accepted as presented. **CD.**

Appointment of Auditor

Robert Mitchell, as recommended by the Audit Committee and supported by the Board of Directors, asked for a motion from the floor to appoint Meyers Norris Penny as Auditors for the 2023 tax year.

M/S Rob Bannerman/Neil Gervais that the firm of Meyers Norris Penny (MNP) be appointed as External Auditor for 2023. **CD.**

Nominating Committee Report

Rob Bannerman, on behalf of the Nominating Committee, reported that, as per Credit Union bylaws, a call for nominations is required at least 21 days before the Annual Meeting. Accordingly, a call for nominations was posted January 26th, 2023, with nominations closed as of February 13th, 2023, which provided the required notice. Mr. Bannerman then advised that the following Board members' terms were expiring this month: Robert Mitchell, Conor Johnson, and Neil Gervais.

Rob then advised that Robert and Neil chose to let their names stand for election, while Conor opted to not pursue another term. Carolyn Marsh submitted her name to also stand for election. As no further nominations were received, the nominating committee accepted Robert Mitchell, Neil Gervais, and Carolyn Marsh as qualifying candidates as per the Credit Union Act 1998, and the policies of the Turtleford Credit Union Limited, and they were declared all three elected for three-year terms. Rob thanked Conor again for his years of service to the Credit Union.

Other Business

Robert Mitchell asked if any members had any other questions for the Board or Management; none were raised.

Door Prizes

Robert Mitchell announced the winners of door prizes this year were as follows:

- Marilyn McDonald — Cup/Blanket
- Stewart McMurphy — Cup/Hat
- Shirley Maloney — Hat/Blanket
- Alex McDonald — Speaker set
- Trudy Maess — Duffle bag

Adjournment

Robert Mitchell again asked if there were any other questions or other business from the floor. As there were none, a motion was requested for adjournment.
Larry Macnab moved to adjourn the meeting at 7:19 pm.

Robert Mitchell, President

Ian Heggstrom, General Manager

President's and General Manager's Report

Welcome to this, the 52nd Annual General Meeting of your Credit Union. We are pleased to report that 2023 was a good year for your Credit Union financially, as you will see during this meeting. Interest rates stabilized in mid-2023, with the Bank of Canada having paused on further hikes over the past several months. There remains significant uncertainty globally, both economically and in terms of several ongoing conflicts, but the climate today nonetheless has some positives for our local communities.

Turtleford Credit Union experienced reasonable asset growth in 2023, ending the year up 3.08% from the year prior, with Assets of just over ~$109 million. Deposit growth was slower, at 1.95% year-over-year, however loan growth was strong, growing by 10.05%, to end the year with a total loans portfolio of ~$69.5 million.

Our Income Statement this year shows that your Credit Union enjoyed a strong year from our regular operations. Thanks to your support, we ended the year with a very healthy bottom line, allowing us to further improve our capital position, a critical measure of a financial institution's health. 2023 saw no slowing of competition in the market, and the rising interest rates did not negatively impact operations. Other costs, such as technology, governance, and so on continue to rise. Nonetheless, Turtleford Credit Union performed well as compared to the average performance of the Saskatchewan system, which saw growth rates in deposits of 3.53% and in loans of 5.61%. Our return on assets, at 0.95%, compares well to a system average of 0.45%.

Accordingly, your Board is very pleased to announce the allocation of a patronage distribution to the membership. It was decided to provide those funds directly into members' deposit accounts, as was the case last year, based on formulae as to the amount of business conducted with the credit union. Staff is working on flowing those funds out, keep your ears open for updates as that time approaches.

Turtleford Credit Union Limited continues to operate as a full-service financial institution in the community. We strive to provide the highest degree of member service, which flows from a committed Board of Directors, through our management team and dedicated staff, to you the members. All areas of operations are touched by comprehensive and ever-changing regulatory and compliance requirements, and staff continue to rise to that challenge. Your Board continues to maintain its practice of annually reviewing the strategic direction your Credit Union is taking; monitoring changes in the credit union system such as amalgamations or mergers, evaluating the overall economic environment, as well as changes to key vendors and suppliers. These efforts are vital to the ongoing success of the Turtleford Credit Union, in order to determine the best route to take to try and ensure our members will continue to receive the services they want and need in our community, now and into the future. We would offer our thanks to each member of your Board of Directors for their dedication to the Credit Union and our local communities.

We would like to once more take the opportunity to remind our members that in addition to a full complement of credit and deposit products and services, Turtleford Credit Union also provides comprehensive Wealth Management services. These broader services are by appointment only, with our Wealth Specialist Hayden Friedrich, and we encourage our members, regardless of age or net worth, to take advantage of this service.

As always, this year we once more have vacancies on the Board of Directors. The Directors whose terms are expiring are Robert Bannerman, Bruce Meikle, and Larry Macnab. All three Directors opted to leave their names stand for re-election. The nominating committee will discuss this area further, later on in the meeting.

We must also thank the staff of the Credit Union for their work this past year. Member service is what credit unions are all about, and the efforts of staff are critical. Nothing in life stays the same, and financial services are no exception. Staff are constantly learning and adapting to meet changing regulatory requirements, and strive to make changes for the membership as smooth as possible. The end of 2023 saw the retirement of Denise Jalbert, a long-time employee – we wish her all the best in her future endeavours. In addition, some staff celebrated milestones at the end of 2023, in their service to the cooperative system. Shelly Tucker reached fifteen years of service, Julie Brendle reached twenty years of service, and Holly Matias celebrates twenty-five years of service. Congratulations to you all – we will ask you to come up following the meeting to receive your gift of acknowledgement, and take some pictures.

As always, we want to make sure to thank you, the members, for your continued support. In Coming Together to Build the Future, the communities we serve continue to strengthen our organization, and that support is critical to the successful future of your Credit Union. We look forward to serving you for years to come.

Respectfully,

Ian Heggstrom	Robert Mitchell
General Manager	President, Board of Directors

TURTLEFORD
Credit Union

Turtleford Credit Union Limited

Management Discussion and Analysis

March 15, 2024

Presented by:

Ian Heggstrom
General Manager

Management Discussion and Analysis 2023

Introduction

Turtleford Credit Union is an independent Saskatchewan credit union owned by our members. Under the current credit union legislation, Turtleford Credit Union is able to provide financial services to members and non-members. As at December 31, 2023 Turtleford Credit Union had 2077 members. Non-members do not participate in the democratic processes of the credit union nor the patronage program.

Our credit union primarily serves the communities of Turtleford, Mervin, Livelong, and Spruce Lake through our Turtleford branch. We provide a range of financial services and credit facilities in the areas of commercial, agricultural, personal, mortgages, etc.

Vision, Mission and Values

Vision As a community owned and operated Credit Union, we adjust and adapt to opportunities to support the development of our community and members as we strive to offer the best financial options for today and the future.

Mission We are a member owned credit union committed to:

- Conducting our business in an honest and professional manner in order to provide the best possible financial services
- Serving our community in a conscientious and ethical manner for the betterment of all involved
- Ensuring growth, stability and financial health, determined locally for the benefit of our community
- Providing a positive environment for all employees to develop and enhance their skills
- Acting on the co-operative principles and supporting system initiatives for mutual benefit

Values The Saskatchewan credit union system consists of a network of autonomous credit unions and Credit Union Central. We are member-owned and democratically controlled. Our goal is to provide a measurable economic and social benefit to members and communities by incorporating the following values in all that we do:

- **Employee Satisfaction** - We respect our employees and their contribution to our success. We have a satisfying, positive working environment and encourage employee involvement and participation. We support their development by providing training and educational opportunities. We respect their need to balance personal and professional lives.
- **Community Impact** - We actively support the development of our communities – provincially and beyond. We present a positive image to the community by sponsoring projects and through the involvement of board and staff.
- **Product Excellence** - Our credit union is committed to provide access to a broad range of affordable products and services tailored to meet or exceed members' financial requirements, with the most flexibility and convenience possible, while offering competitive rates.

- **INTEGRITY** - We conduct business in an honest and professional manner. We achieve mutual trust and respect by valuing and understanding others' views, ideas and feelings.
- **SERVICE EXCELLENCE** - We provide all credit union members with friendly, knowledgeable and helpful service by a trained professional staff.
- **SYSTEM INVOLVEMENT** - We are committed to being involved in the credit union system on a local, provincial and national basis. Members benefit with more products, better security, and greater financial health.
- **LONG-TERM PROSPERITY** - We are committed to the members to do what is necessary to ensure growth, stability and financial health, which will be shared by the operation, the members, the community and the system for years to come.

Credit Union Market Code

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

- Complaint handling, which outlines the process for dealing with all complaints regarding the service, products, fees or charges of Turtleford Credit Union.
- Fair sales by outlining the roles and relationship of staff to all member/clients and in accordance with the financial services agreement.
- Financial planning process to advise member/clients on the risks and benefits associated with financial planning services.
- Privacy to protect the interests of those who do business with Turtleford 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 Turtleford 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 Turtleford 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, Turtleford Credit Union acts in accordance with internationally recognized principles of co-operation:

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

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

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

Autonomy and Independence
Co-operatives are autonomous, self-help organizations controlled by their members. If they enter to 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.

Strategy

The vision of Turtleford Credit Union is to be the leading provider of financial services / deposit and loan services in the Turtleford area of Saskatchewan. To monitor specific objectives throughout the year that support this vision, we hold monthly Board meetings, as well as an annual review of the Credit Union’s historical objectives, in order to update strategic direction as dictated by an ever-changing marketplace.

Our key financial strategic objectives this past year were to have deposit growth above 6%, increase our loan growth to bring our loans-to-asset ratio to 75% within a four-year period, and maintain our reserves-to-assets (i.e.: Leverage Ratio) ratio above Deposit Guarantee’s standard of 5%, at 8% minimum as set by Turtleford Credit Union.

Meeting the goal of our vision requires that Turtleford Credit Union not only attract new members, but preserve existing memberships as well, in addition to deepening current relationships. To support our objective of increased customer loyalty, ongoing training to front-line employees was provided, with special emphasis on product knowledge to enhance service to the Turtleford Credit Union membership.

Key Performance Drivers

Each year we set corporate-level targets – Key Performance Indicators (KPIs) – to advance our goals and drive desired results. Throughout the organization and in the spirit of growth and continuing improvement, these indicators of performance are regularly measured and monitored, with timely feedback provided about progress toward achieving our goals. The following outlines our key corporate goals, targets, and results from the past year.

	2023 Targets	2023 Results	System
Reserves to (Average) Assets Tier I	12.00-15.00%	18.04%	15.67%
Eligible Capital to (Average) Assets	12.00-15.00%	20.00%	16.43%
Return on Assets (after tax)	0.75%	0.95%	0.45%
Delinquency (Greater than 90 days)	<3.00%	0.48%	0.73%
Loans to Net Assets	75.00%	63.11%	74.71%
Liquidity Coverage Ratio	200 - 400%	410.45%	207.45%
Loan Growth	6.50%	10.05%	5.61%
Deposit Growth	6.00%	1.95%	3.53%

Financial Results

Income Statement Highlights

The Credit Union's business continued uninterrupted in most ways during the past year, despite the first half of 2023 seeing continued increases in the Bank of Canada's rate. Our income statement shows a very healthy after-tax income of ~$1 million, very close to what was budgeted: we thank the membership again for your support.

Non-interest revenue ended the year at 0.42% of Assets, a slight decrease from the prior year, but a helpful addition to the bottom line. Operating expenses were 2.33% of Assets, little changed from the 2.08% the year prior, and just above the system average of 2.19%. Net Income, before tax and allocations, for the year ended December 31, 2023 was 1.30% of Assets.

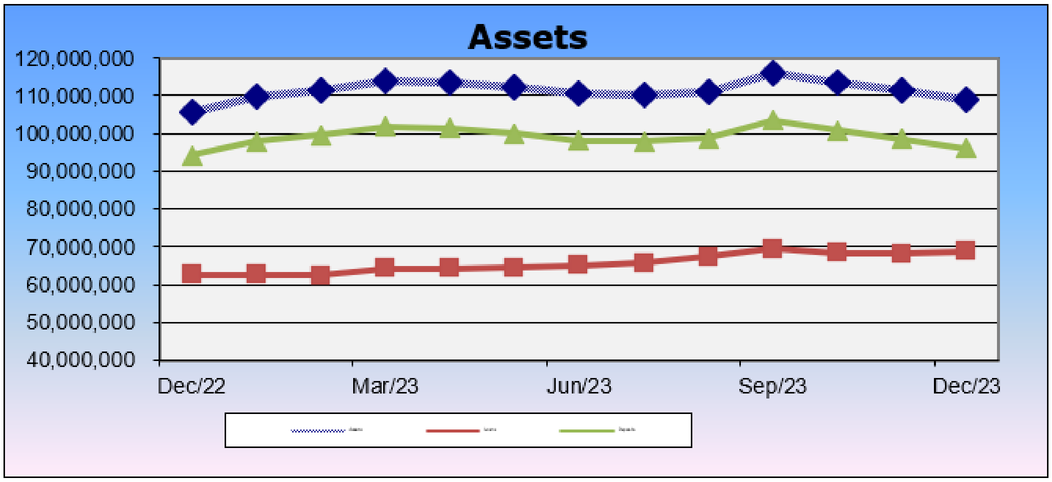
Our allocation to our loan allowance in 2023 was higher than in the prior year, as we opted to take a conservative approach to certain files. It is important to note that this represents a pro-active expense at this time, and not an actual loss.

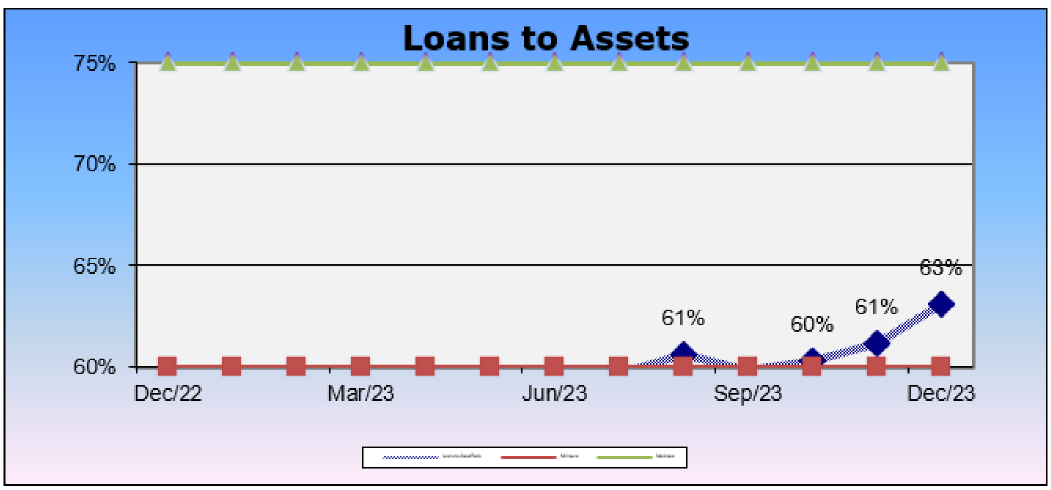
Agriculture continues to be the big driver in our communities, and we have been fortunate to consider to see that sector succeed. Your credit union is well capitalized, and we will be working to increase our loans-to-assets ratio, in order to optimize revenue, while maintaining a close eye on cost control. We believe these initiatives will ensure the continued success and viability of your credit union into the future.

Balance Sheet Highlights

Turtleford Credit Union experienced reasonable asset and deposit growth this past year, and we were quite pleased with the growth of our loan portfolio. Deposit growth was a little lower than that which was budgeted in our forecast, 1.95% versus 2.50%. Turtleford Credit Union ended the tax year with a Tier 1 Capital to Asset ratio of 18.04%. The Credit Union's Risk-Weighted (Eligible) Capital ended the year at 20.00%, based on Average Assets. These ratios exceed minimum regulatory requirements of 8.50% and 10.50% respectively, and are an improvement to the already strong ratios from the year before. We will, as always, continue to manage the capital position to ensure that overall capital remains above regulatory requirements and that these two components remain consistent with our long-term capital plan. While operations overall are strong, we continue to work on our loan-to-asset ratio: at 63.11%, that is short of a target 75%, which means we are not optimizing profitability. Turtleford Credit Union continues to review opportunities to purchase loans from other credit unions, in order to bolster our lending ratio.

Effort will continue to be made in the next year to increase this ratio, as it is key to greater profitability and the success of the organization. Turtleford Credit Union continues to keep a sufficient level of operating and regulatory liquidity. The Credit Union reviewed its liquidity plan in 2023, to ensure a framework is in place for ongoing liquidity management.





Loan Mix	Prior Year	Current Year
Consumer	39.40%	37.04%
Agriculture	38.97%	42.88%
Commercial	12.78%	10.67%
Leases	8.85%	9.41%

General Outlook

The first part of 2023 saw the Bank of Canada continue to attempt to pull down inflation by additional increases to their key benchmark rate, adding 75bps more to the hikes seen in the prior year. This drive was of concern to your credit union, due to the uncertainty as to its impact on members' cost-of-living, and their ability to service their debts. Nonetheless, Turtleford Credit Union has not, to date, experienced any negative material impact to operations, for which we thank you our members in continuing to maintain your obligations, and our staff in having used prudent practices in taking on risk.

The expectation for 2024, at present, is that rate hikes have reached their zenith. Our projections at the beginning of the year were for a 50bps decrease in June, and 25bps decreases in July, September, and December. These are only projections, however, and are subject to change. While we feel them to be reasonable, we will as always adjust operations to whatever the reality comes to be.

Our Budget for 2024 projects that the coming year will be another positive one for your Credit Union. As always, we try to balance being reasonable and accurate as to achievable expectations, with maintaining some degree of conservatism, reflecting the continued amount of uncertainty in the world. Credit losses over the past few years have been manageable, and we will continue to maintain a close watch on this in the coming year, as the nature of credit is such that it carries a high degree of inherent risk.

As always, and as most people would be aware, the Saskatchewan economy feels the impact of shifts in commodity markets as well. Last year in our area, crop yields and crop prices had a decent interaction, with livestock prices being exceptionally strong. As is always the case, the weather is not just a huge factor, but also one that is completely beyond anyone's control. To summarize, we would suggest that our local economy continues to do well, and we certainly hope that continues to hold true.

The Credit Union system continues to evolve, provincially and nationally. The more notable trends continue to be positive growth in terms of total assets held within the system, and a steady decline in the number of organizations, as amalgamations and mergers continue year over year. We would note, 2023 saw Innovation Credit Union become Innovation Federal Credit Union, the largest single impact to the chart below insofar as decreases across all categories.

Saskatchewan Credit Unions				
Date	# Credit Unions	# Credit Union Members	$MM Assets	# Branches
12/31/2023	32	444,614	$26,408	193
12/31/2022	33	497,389	$28,595	224
12/31/2021	36	490,288	$27,451	232
12/31/2020	39	486,152	$26,536	234
12/31/2019	40	482,009	$24,742	235
12/31/2018	44	481,124	$23,799	247
12/31/2017	46	476,628	$ 22,436	250
12/31/2016	46	474,126	$ 21,596	265
12/31/2015	49	472,102	$ 20,804	267
12/31/2014	51	475,201	$ 19,665	283
12/31/2013	53	490,712	$ 18,214	285
12/31/2012	60	502,413	$ 16,890	299
12/31/2011	61	508,001	$ 15,631	302
12/31/2010	64	474,126	$ 14,034	304
12/31/2009	65	472,702	$ 13,478	310

Enterprise Risk Management

Each year our credit union spends significant resources measuring and assessing risks and ensuring we are adequately prepared to serve our communities now and in the future. This process is called Enterprise Risk Management or ERM for short, and is a requirement of credit unions in Saskatchewan as laid out by Credit Union Deposit Guarantee Corporation. The management group meets on an annual basis to identify potential risks; the Board will then review the risks to ensure processes are in place to mitigate these risks. Oversight of risk is the responsibility of the audit and risk committee, which is comprised of three Directors. Through this process, the following risks have been identified according to their potential impact on Turtleford Credit Union.

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.
Two risks were identified in this area, the first as relates to the challenge for local boards to develop and hone the skills necessary to provide proper oversight to the organization. The second relates to the ability to both retain current members, as well as grow new members.
These risks have been rated as low and modest respectively in probability, due to the emphasis the Credit Union currently places on these areas, and the efforts to keep pace as long as the cost/benefit breakdown can be justified.

Market Risk

Market risk is the exposure to potential loss from changes in market prices or rates. Losses can occur when values of assets and liabilities or revenues are adversely affected by changes in market conditions, such as interest rate or foreign exchange movement.
The changes in the interest rate environment have been identified as a market risk to the Credit Union, due to the potential impact on the Credit Union's margin. Additionally, the relatively low non-interest income of Turtleford Credit Union, due to the decision to provide member service at a reduced cost, provides a smaller cushion to absorb these low rates.
In sum, efforts to remain competitive in the market squeezes margins. The possibility of any/all these risks is considered to be modest. Management reviews rates regularly during the year to ensure the best blend of competitiveness and profitability.

Liquidity Risk

Liquidity risk is the potential inability to meet obligations, such as liability maturities, deposit withdrawals, or the funding of loans, without incurring unacceptable losses. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources.
Our annual review did not identify any significant liquidity risks at this time. The current economic environment has slowed demand for market priced lending, and the loans-to-asset ratio remains well-below the optimal level, meaning the issue facing Turtleford Credit Union is excess liquidity if anything. As always, this is acknowledged to be something to monitor, particularly in the event loan demand should see an increase.

Turtleford Credit Union cultivates a balanced, prudent approach to managing the exposure to liquidity risk. There is always a cost/benefit trade-off between holding lower levels of liquidity in an effort to maximize an optimal return, typically through funding member loans, and higher levels of liquid, low yielding assets such as SaskCentral or Wyth term deposits, with an eye to ensuring any liquidity needs of the organization might be met. Turtleford Credit Union maintains, and continually reviews and revises, Capital and Liquidity Management Plans. The utilization of those, as well as a regular review of an Internal Capital Adequacy Assessment Program (ICAAP), allows for the assessment of the organization's liquidity strategies and contingency plans, under normal, slightly stressed, and more austere projected operating conditions. This contingency planning and related liquidity management process provides a unified liquidity management course of action, to ensure Turtleford Credit Union holds liquidity risks to a tolerable measure.

The management of liquidity risk by Turtleford Credit Union has a number of key aspects, which would include the following:

- Statutory Liquidity. Turtleford maintains a minimum level of monies on deposit with SaskCentral based on regulatory requirements. These amounts are updated on a quarterly basis. As such, SaskCentral is a fundamental partner in Turtleford's liquidity risk management.
- Policies. Your Board of Directors sets Policy that, among other things, establishes targets for minimum liquidity levels, determines a monitoring system, and defines authority levels and responsibilities.
- Monitoring. Activity in loans and deposits are regularly reviewed, and any trends used to project forward appropriate liquidity levels. Monitoring of the external environment is also effected, using a variety of sources of data.
- Patterning. Turtleford's liquidity plan forecasts cash-flow in the organization, over a variety of projected risk situations.
- Diversification of funding. Turtleford maintains reporting on the diversity of its deposit liabilities by source, term, and deposit type. In addition, a credit facility is maintained with SaskCentral as an additional backstop, and a relationship with Concentra Bank is retained to leverage their knowledge and analysis capabilities.
- Stress testing. Turtleford regularly performs stress testing on elements of the organization, which includes the CUDGC prescribed Liquidity Coverage Ratio (LCR), in order to measure the possible effect of various disrupters (both on an organization-specific level and a more macro- or global-level).

The organization keeps a number of liquidity risk fundamentals in mind, including:

- Maintaining a suitable balance between the levels of liquidity held by the organization, and the potential costs of liquidity risk management abatement, factoring in the potential consequences of liquidity stress events.
- Maintaining and growing our base of member deposits.
- Cultivating a flexible liquidity position, to manage both present operations and future growth needs, while keeping the soundness of the organization top of mind.

As per a regulatory requirement of CUDGC, the Credit Union monitors something which is called a Liquidity Coverage Ratio (LCR), the minimum requirement as of January 1st 2019 being 100%. The objective of the LCR is to ensure the Credit Union has a sufficient 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. Your Board has opted to set a target range of 200%-400% for this ratio, in order to provide a greater cushion for this important metric.

Inflow and outflow values are calculated as outstanding balances maturing, or callable, within 30 days of various types of liabilities, off-balance sheet items, or contractual receivables. These items are weighted, with inflow and outflow rates as prescribed by CUDGC. The LCR is then calculated as the weighted value of HQLA divided by the weighted value of total net cash outflows.

	2023		2022	
High Quality Liquid Assets (HQLA):	Actual Value	Weighted Value	Actual Value	Weighted Value
Level 1 HQLA	$5,343,387	$5,343,388	$5,786,092	$5,786,092
Level 2A HQLA	$817,242	$694,655	$874,750	$743,537
Level 2B HQLA	$2,246,670	$1,065,537	$2,442,839	$1,152,288
Total HQLA	$8,407,299	$7,103,580	$9,103,681	$7,681,917
Cash Outflows:				
Total Retail Deposit Run-off	$58,193,290	$2,280,615	$56,215,138	$2,319,738
Total Unsecured Wholesale Funding Run-off	$37,880,097	$4,075,484	$38,017,341	$3,180,707
Total Additional Requirements	$10,331,326	$566,566	$9,733,511	$541,675
Total Cash Outflows	$106,404,713	**$6,922,665**	$103,965,990	**$6,042,120**
Cash Inflows:				
Contractual Inflows	$1,194,575	$597,287	$1,167,216	$583,608
Inflows from other counterparties	$7,523,830	$7,523,830	$6,074,380	$6,074,380
Total Cash Inflows	$8,718,405	$8,121,117	$7,241,596	$6,657,988
Cash Inflows after CUDGC Maximum inflow cap		**$5,191,999**		**$4,531,590**
Total Net Cash Outflows		**$1,730,666**		**$1,510,530**
Liquidity Coverage Ratio		410.45%		508.56%

Credit Risk

Credit risk is the risk of loss arising from a borrower or counterparty's inability to meet its obligations.
A standard risk identified is that of losses incurred on the organization's credit portfolio. That risk is considered to be modest, which is as good as can be attained, given that lending is fundamentally risky. A second risk identified would be the risk of losses incurred in credit purchased from other originators. Turtleford Credit Union, having long seen insufficient local demand for credit to keep up with deposits, is active in purchasing loans and leases, and while due diligence is applied, those borrowers simply are not as well known as our own members. Nonetheless, due to good underwriting practices, this risk is also deemed to be modest. Delinquency is within acceptable parameters at present. Due to strong policies and procedures in place, along with analysis practices, the Credit Union remains focused on carefully managing this area. Delinquency standards for loan delinquency over 90 days are a maximum of 3.00% of Assets; Turtleford Credit Union ended the year at 0.48%. Policies and procedures are in place to ensure due diligence is maintained in assessing the credit portfolio, including but not limited to having strategies to limit the potential impact of an economic downturn on mortgage loans and HELOCs. All audit reports, Internal and External, have affirmed that good lending controls are in place.

As per guidelines set out by CUDGC, Turtleford Credit Union is required to provide additional credit disclosures as regards the residential mortgage portfolio. Turtleford has a ceiling when providing residential mortgages of a maximum 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 Turtleford's residential portfolio against potential losses as caused by borrower default. Turtleford Credit Union utilizes the Canada Mortgage Housing Corporation (CMHC) to provide this coverage as required.

Turtleford's residential mortgage portfolio may be viewed in the following manner:

	Conventional (uninsured)		CMHC (insured)		HELOC		
Amortization Periods	Dollars	Percent	Dollars	Percent	Dollars	Percent	Total
0 - 60 mths	1,111,288.76	4.65%	36,949.55	0.15%	0.00	0.00	1,148,238.31
60.1 - 120 mths	1,685,731.90	7.06%	171,267.28	0.72%	0.00	0.00	1,856,999.18
120.1 - 180 mths	3,415,866.84	14.30%	1,099,493.31	4.60%	0.00	0.00	4,515,360.15
180.1 - 240 mths	5,897,456.02	24.69%	620,573.42	2.60%	0.00	0.00	6,518,029.44
240 mths+	8,356,229.76	34.98%	1,493,008.52	6.25%	0.00	0.00	9,849,238.28
Total	20,466,573.28	85.68%	3,421,292.08	14.32%	0.00	0.00	23,887,865.36

Turtleford Credit Union completes regular reviews, sometimes called stress tests, to aid in identifying the impact of a significant decline in the housing market on the residential mortgage portfolio. There are two main components considered in evaluating such consequences in regards to an economic downturn: the potential increase in member defaults, and the potential decrease in the value of the collateral. Turtleford Credit Union, to date, has not pursued HELOCs as a driver of growth, which while it can be considered a lost opportunity to some degree, is beneficial in that our exposure is more limited then to term mortgages. As we would require a minimum of 20% down, or alternatively hold default insurance, in those cases, the residential mortgage portfolio accordingly does have a certain level of protection.

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.
Failure to comply with the Credit Union Act and regulations, Standards of Sound Business Practice, and other applicable Federal and Provincial laws, as well as the maintenance of sound governance practices, are identified as risks. Keeping pace with growing compliance requirements, and maintaining timely adoption of, among other things, new international accounting standards, is noted to be a challenge/risk.
No specific legal and regulatory risk was noted in our annual review. The Credit Union has established internal and external audit processes, in addition to which regular Deposit Guarantee examinations must be maintained. The annual completion of a strategic and business plan, as well as ongoing monitoring and reporting, assist to ensure we remain current with all obligations. Ongoing training and education of employees and directors also assists in the mitigation of risks in this area. Finally, we would acknowledge that an organization our size cannot be an expert in everything; certain expertise must be drawn on from outside the office. An example is compliance oversight, which has been outsourced to National Consulting Limited, in order to draw on their expertise and best practices.

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.
Three key risks were identified in this area. The first is the risk of not optimizing wealth services to members, as we must contract that service at a cost. The second is the risk of utilizing certain third party service providers, which comes at a cost, as well as a potential impact to member service that becomes beyond our control. The third is that our people may not have the competencies required, and/or that the cost of training may become prohibitive. These risks were all considered to be modest at the present time, due to mitigating strategies in place.
The credit union has a good wealth management plan in place, and training for board and staff are maintained and completed annually, as mitigating factors to these risks. There is also a business continuity plan in place, which is reviewed regularly with all staff and directors. And at present, our service partners continue to offer reasonable levels of service for the applicable cost.

Regulatory Matters

Turtleford Credit Union complies with the regulatory obligations identified under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*. Our compliance processes are designed for an organization of our size, and corresponding exposure to such activity. Every year, the Credit Union's compliance officer (with the assistance of an outsourced compliance audit) provides a report to the Board of Directors on at least an annual basis as to the Credit Union's compliance with this and other legislation.
Turtleford Credit Union is committed to prudent operations, and follows the Standards of Sound Business Practices as set out by the Credit Union Deposit Guarantee Corporation.

Corporate Structure and Governance

The governance of Turtleford Credit Union is anchored in the co-operative principle of democratic member control. The Credit Union maintains a professional approach in its operations, and accountability to our membership. Turtleford Credit Union strives to meet the highest standards in its conduct, consistently seeking to maintain or improve its professional, legal, and ethical reputation.

Code of Conduct Turtleford Credit Union's code of conduct provides guidance for employees and directors of the credit union with respect to acceptable business behavior, and the desired ethical culture required to maintain the trust of members and customers, and protect the credit union's reputation in the marketplace. All credit union employees and directors shall adhere to the principles of ethical conduct and responsible business behavior as reflected in the Code of Conduct.

Market Code Turtleford Credit Union's market code ensures sound market practices in relation to soliciting, providing, promoting, advertising, marketing, selling, or distributing of credit union products and services, to maintain member trust while adhering to the co-operative principles on which the credit union was founded.

Privacy Turtleford Credit Union protects the confidentiality of those who do business with the credit union to ensure the fair handling of personal information that is made available in the course of conducting business with the credit union.

Board of Directors

Mandate and Responsibilities

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

Key Roles

The Board of Directors creates and reviews the strategic direction of the Credit Union, the annual operating budget, and evaluates the performance of the General Manager based on goals as outlined therein. The Board is responsible for approving the organization's corporate vision, mission, and values, monitors corporate performance, oversees operations, and ensures compliance with all regulatory obligations. During the year 2023, the Board held 12 Regular Board meetings, as well as other various meetings as required.

Board Composition

The board is composed of 9 individuals elected at the annual general meeting. Terms are for 3 years, and tenure is limited to 4 consecutive terms. Nominations are made through a nominating committee; voting (if necessary) and election results are announced at the Turtleford Credit Union's annual general meeting.

Committees

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

- Executive Committee

  The Executive Committee acts in the capacity of, and on behalf of, the Board of Directors between regular or special board meetings, on all Board matters except those which the Board may not, in compliance with legislative requirements, delegate. The Executive Committee is comprised of the President, Vice-President, a director appointed by the Board, and an alternate to sit in the event of a perceived conflict.

- Audit Committee

  The Audit Committee oversees the financial reporting process, reviews financial statements, liaises with internal and external auditors and regulators, and reviews internal control procedures. The committee consists of 3 directors. The board determines the skills and abilities needed on the committee and chooses its members accordingly.

- Policy Committee

  The Policy Committee annually reviews the existing policies of Turtleford Credit Union, for the purpose of recommending any changes, deletions and/or additions. This committee is comprised of the entire Board.

- Nominating Committee

  The Nominating Committee oversees the nomination and election processes for elections of credit union directors. The committee is comprised by those 3 directors whose term expires the year following the current year.

- Conduct Review Committee

  The Conduct Review Committee ensures that Turtleford 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. It is comprised of 3 directors, and an alternate to sit in the event of a perceived conflict.

- Facilities Committee
  The Facilities Committee oversees the credit union owned service and housing facilities, and is comprised of two Board members, one member of Management, and one other staff member.

- Workplace Violence & Harassment Committee
  The WVH Committee ensures that the work environment of the credit union meets the credit union's code of conduct and all applicable legislated requirements. It is comprised of one Director, one senior Manager, and one employee.

Compensation and Attendance

It is the general policy of the credit union that officers, directors, and committee members be reimbursed for their services on a per diem basis. The primary objective of the credit union is to serve the members. It is this commitment that guides the leadership of the credit union and any reimbursement is designed to offset expenses, not to directly provide a benefit.

In 2023, $31,168 was budgeted to cover per diems, travel, and development; the actual amount spent totaled $20,580 for the year. Your Board's commitment to the organization is to be commended.

Board members are encouraged to attend all regular meetings, policy requires no more than two consecutive absenteeisms; in the event of three or more, the Board member in question could be removed from the Board. Special circumstances may arise; it would then be up to the President in consultation with the rest of the Board to decide if the exception is warranted.

Director Training

Board members attended various virtual events/programs in 2023 as they became available.

Executive Management

The management team shall consist of the General Manager, Loans Manager, and Office Manager of the Turtleford Credit Union. The General Manager has accountability for the overall operations of the credit union, reporting directly to the Board of Directors, while the other two members have specified areas of responsibility, and report directly to the General Manager.

Corporate Social Responsibility (CSR)

Turtleford Credit Union is involved in sponsorships and donations to the local communities, with financial or in-kind contributions (i.e.: staff time, donations of equipment, etc) to local events or organizations. Preference is given to charitable, non-profit organizations and events. The credit union may consider sponsorships and donations in the following areas: community economic development, youth and education, visible minorities, health and human services, agriculture, arts and culture, professional or amateur sport, and cooperative development.

Turtleford Credit Union is committed to providing a work environment where all employees are treated with courtesy and respect. The credit union is further committed to the employee work environment with having policies in place to address harassment and workplace violence.

Capital Management

Background

The Standards of Sound Business Practice, as developed by Credit Union Deposit Guarantee Corporation, states that each credit union must have a plan to manage capital and profitability to ensure that they have the correct level needed to support operations, risk and growth.

In the simplest terms capital can be defined as the difference between assets (what is owned: cash, investments, loans, property) and liabilities (what is owed to others: deposits, borrowing, payables).

The goal for every credit union is to determine the right amount of capital to hold and build to support growth and weather financial storms. The objective is to be best positioned to hit the ground running when we come out on the other side during hard economic times and to support growth during strong economic times.

Too little capital means the credit union is unable to grow and generate good returns, but it risks failure because it has no cushion against occasional losses. Too much capital means there is an opportunity cost of tying up too much of the credit union member's resources in the credit union activities versus the member generating better returns with that capital in other places.

The benefits of capital are:

- To enable credit union to take on additional risk. *The less certain the initiative the more capital is needed.*
- To cushion the credit union against losses.
- Protection - to provide sufficient funds to pay out all members in case of failure.

Adequate capital also fosters member/client confidence in the credit union's condition and is used to determine lending limits that supports members' needs.

Turtleford Credit Union's capital plan goal is to be positioned to weather whatever changes lie ahead, be they growth or taking advantage of opportunities that may arise, or economic or fiscal volatility. The Goal of our Credit Union is to remain an autonomous credit union into the future.

There is a crucial link between strategic planning, enterprise risk management and active capital management.

Capital has to be raised in good times in order to be available in bad times.

Balance Sheet Management

There are four categories that must be considered. They are:

1. **Profitability** – Generating net returns. This is the "engine" of the organization.
2. **Liquidity** – Ensuring that the credit union has enough cash to meet its short-term obligations. This is the "gasoline".
3. **Efficiency** – Employing assets in the best way. This is the "tune-up".
4. **Stability or Capital** – Ensuring that the credit union has enough capital to meet its long-term obligations. This is the "safety" check.

Determining the Level of Capital

A tool that is used to determine the level of capital that is being held by a credit union is the Basel II "Risk Weighted Capital Adequacy Calculation".

There are two steps involved in this calculation. The first step is to determine the level of assets that are at risk. In this step assets are assigned a weighting factor based on the risk/quality of the asset. For example most loan types are assigned a weight factor of 100% meaning that the whole amount of the loan is risk-weighted.

The second step is to calculate the level of capital that a credit union is holding. Once again there are two steps involved. They are:

1. **Primary Capital (or Tier 1)** is calculated by taking the sum of member share capital, retained earnings, and qualifying investment shares less any applicable deductions, and is reported as a percentage of assets. (The minimum allowed is **8.5%** of assets as per CUDGC Standards)
2. **Eligible Capital** is calculated by adding Membership shares and the general allowance to the Primary Capital (as above). (The minimum allowed is **10.5%** of risk-weighted assets as per CUDGC Standards.)

Non-compliance

Failure to comply with regulatory standards for capital limits as set out by Credit Union Deposit Guarantee Corporation may result in, but is not limited to, the following:

- Reducing or restricting the credit union's authorities and limits,
- Imposing a higher deductible on any insured losses paid by the master bond fund;
- Subjecting the credit union to preventive intervention;
- Issuing a compliance order; or
- Placing the credit union under supervision or administration.

Our Current Situation

Our ability to maintain capital ratios during years of rapid growth, while experiencing some of the lowest lending interest lending rates in decades, has been identified as a "key risk" which faces the credit union. As assets rise, our capital as a percentage of assets declines. This plan will look at the steps being taken to retain our strong capital position.

The Capital Plan reflects a strong and stable financial environment for Turtleford Credit Union. The credit union exceeds the minimum level of capital based on regulatory minimums. The credit union also exceeds capital levels deemed prudent for the organization, based on their ICAAP targets. Changes in the assumptions used in the capital plan, however, could significantly change projected regulatory capital strength.

- Management and Board will continue to review Capital policies and procedures annually to ensure they are in line with Regulatory minimums and ICAAP analysis.
- Management and Board will review and revise this Capital Plan at least annually to ensure it aligns with business plans, financial projections, risk assessment, policies, and capital adequacy testing.
- Annually, management will prepare a five year financial projection that will include projections on capital levels. Projections will be tested to business plans.
- At least quarterly, reporting to the Board will continue to include capital levels in comparison to plan.

The chart below displays the capital position of the Turtleford Credit Union. It compares the minimum requirements as outlined by CUDGC, the higher targeted figures as set by the Board of Directors, and the credit union's year-end position. Turtleford Credit Union exceeds all minimum requirements, in addition the year-end capital position exceeded the Board targeted figures.

The minimum standards as listed by the Deposit Guarantee Corporation in the Standards for Sound Business Practice (SSBP) are as follows (including required conservation buffer):

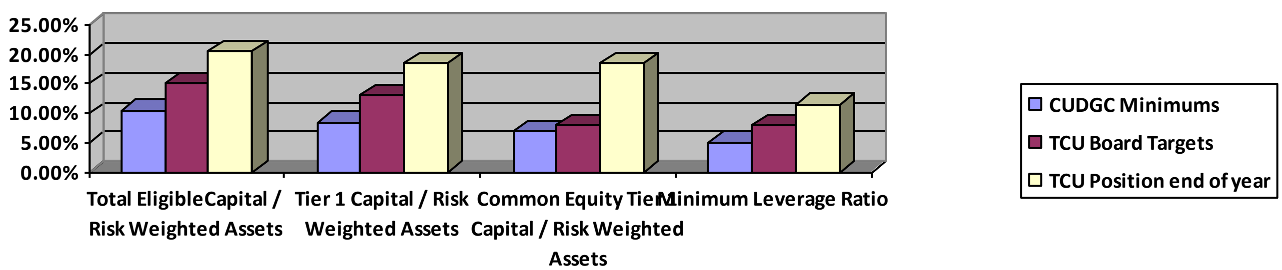
- Total eligible capital / risk-weighted assets = 10.50%
- Tier 1 capital / risk-weighted assets = 8.50%
- Common equity tier 1 capital / risk-weighted assets = 7.00%
- Minimum leverage ratio = 5.00%

CUDGC does expect that credit unions will not only meet these standards, but also maintain levels over and above that are appropriate to their individual organization and risk profile. The Board of TCU has developed its own targets, which are as follows:

- Total eligible capital / risk-weighted assets = 12.00% - 15.00%
- Tier 1 capital / risk-weighted assets = 12.00% - 15.00%
- Common equity tier 1 capital / risk-weighted assets = 8.00%
- Minimum leverage ratio = 7.00% - 9.00%

TCU's capital position at the end of the year was as follows:

- Total eligible capital / risk-weighted assets = 20.00%
- Tier 1 capital / risk-weighted assets = 18.04%
- Common equity tier 1 capital / risk-weighted assets = 18.04%
- Minimum leverage ratio = 11.39%



FORECASTING AND BUDGETING STATEMENTS

Concerning Turtleford Credit Union's future strategies, these statements involve a number of uncertainties relating to economic, legislative, and regulatory conditions at the time of writing. As such, actual results may differ from those forecast herein.

Turtleford Credit Union Limited
Financial Statements
December 31, 2023

Turtleford Credit Union Limited
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For the year ended December 31, 2023

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Management's Responsibility

To the Members of Turtleford 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 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 Committee has the responsibility of meeting with management, internal auditors, and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Credit Union's external auditors.

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

March 14, 2024

General Manager

To the Members of Turtleford Credit Union Limited:

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Credit Union in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Credit Union’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Credit Union or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Credit Union’s financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

MNP LLP
119 4th Ave South, Suite 800, Saskatoon SK, S7K 5X2 1 (877) 500-0778 T: (306) 665-6766 F: (306) 665-9910

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

MNP LLP

March 14, 2024

Chartered Professional Accountants

Turtleford Credit Union Limited
Statement of Financial Position
As at December 31, 2023

	2023	2022
Assets		
Cash and cash equivalents *(Note 5)*	**11,171,792**	12,164,011
Investments *(Note 6)*	**27,597,546**	28,683,639
Member loans receivable *(Note 7)*	**69,508,759**	63,031,247
Other assets *(Note 8)*	**258,251**	1,356,628
Property, plant and equipment *(Note 9)*	**348,323**	399,808
Investment property *(Note 10)*	**133,171**	146,735
	109,017,842	105,782,068
Liabilities		
Member deposits *(Note 12)*	**96,811,228**	94,672,319
Other liabilities *(Note 14)*	**414,500**	300,879
Membership shares *(Note 15)*	**491,180**	514,960
	97,716,908	95,488,158
Commitments *(Note 19), (Note 21)*		
Members' equity		
Retained earnings	**11,300,934**	10,293,910
	109,017,842	105,782,068

Approved on behalf of the Board

Director **Director**

The accompanying notes are an integral part of these financial statements

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

	2023	2022
Interest income		
Member loans	**3,489,944**	2,777,714
Investments	**1,711,096**	1,953,117
	5,201,040	4,730,831
Interest expense		
Member deposits	**1,231,095**	645,667
Borrowed money	**9,125**	7,857
	1,240,220	653,524
Gross financial margin	**3,960,820**	4,077,307
Other income	**455,961**	573,937
	4,416,781	4,651,244
Operating expenses		
Personnel	**1,156,671**	1,083,358
Security	**121,357**	106,487
Organizational	**38,755**	36,192
Occupancy	**118,769**	122,468
General business	**1,068,951**	834,060
	2,504,503	2,182,565
Income before provision for impaired loans, patronage refund and provision for (recovery of) income taxes	**1,912,278**	2,468,679
Provision for impaired loans *(Note 7)*	**486,031**	214,330
Patronage refund *(Note 16)*	**150,000**	150,000
Income before provision for (recovery of) income taxes	**1,276,247**	2,104,349
Provision for (recovery of) income taxes *(Note 13)*		
Current	**369,449**	140,922
Deferred	**(100,226)**	(8,521)
	269,223	132,401
Comprehensive income	**1,007,024**	1,971,948

The accompanying notes are an integral part of these financial statements

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

	Retained earnings	*Total equity*
Balance December 31, 2021	**8,321,962**	**8,321,962**
Comprehensive income	**1,971,948**	**1,971,948**
Balance December 31, 2022	**10,293,910**	**10,293,910**
Comprehensive income	**1,007,024**	**1,007,024**
Balance December 31, 2023	**11,300,934**	**11,300,934**

Turtleford Credit Union Limited
Statement of Cash Flows
For the year ended December 31, 2023

	2023	*2022*
Cash provided by (used for) the following activities		
Operating activities		
Interest received from member loans	**3,295,016**	2,672,025
Interest received from investments	**2,826,693**	595,431
Other income	**455,961**	573,937
Cash paid to suppliers and employees	**(2,447,194)**	(2,032,644)
Interest paid on deposits	**(933,093)**	(547,553)
Interest paid on borrowed money	**(9,125)**	(7,857)
Patronage refund	**(150,000)**	(150,000)
Income taxes paid	**(228,361)**	(16,183)
	2,809,897	1,087,156
Financing activities		
Net change in member deposits	**1,840,907**	2,229,225
Net change in membership shares	**(23,780)**	(27,479)
	1,817,127	2,201,746
Investing activities		
Net change in investments	**1,178,096**	(6,321,715)
Net change in member loans receivable	**(6,768,615)**	(748,341)
Purchases of property, plant and equipment	**(28,724)**	(18,113)
	(5,619,243)	(7,088,169)
Decrease in cash and cash equivalents	**(992,219)**	(3,799,267)
Cash and cash equivalents, beginning of year	**12,164,011**	15,963,278
Cash and cash equivalents, end of year	**11,171,792**	12,164,011

The accompanying notes are an integral part of these financial statements

1. Reporting entity

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

The Credit Union serves members and non-members in Turtleford, Saskatchewan and the surrounding community. The address of the Credit Union's registered office is 208 Main Street, Turtleford, Saskatchewan.

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

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

Statement of compliance

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

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

2. Change in accounting policies

Standards and interpretations effective in the current period

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

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

3. Basis of preparation

Basis of measurement

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

Functional and presentation currency

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

Significant accounting judgments, estimates and assumptions

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

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

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

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

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

Classification of financial assets

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

Key assumptions in determining the allowance for expected credit losses

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

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

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

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

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

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

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

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

4. Material accounting policy information

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

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

Foreign currency translation

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

Revenue recognition

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

Service charge fees, commission and other revenue

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

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

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

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

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

Financial instruments

Financial assets

Recognition and initial measurement

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

Classification and subsequent measurement

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

Debt instruments are classified as follows:

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

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

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

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

Business model assessment

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

Contractual cash flow assessment

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

Reclassifications

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

Impairment

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

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

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

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

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

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

Derecognition of financial assets

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

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

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

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

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

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

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

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

Modification of financial assets

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

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

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

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

Financial liabilities

Recognition and initial measurement

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

Classification and subsequent measurement

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

Derecognition of financial liabilities

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

Dividend income

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

Interest

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

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

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

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

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

Collateral

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

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

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

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

Impairment of non-financial assets

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

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

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

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

Syndication

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

Property, plant and equipment

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

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

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

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

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

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

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

Investment property

Investment property consists of land and buildings held to earn rental income or for capital appreciation, or both.

Rental income and operating expenses from investment property are presented within other income and occupancy expenses, respectively.

Investment property is stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

All investment property having a limited useful life is depreciated using the straight-line method over the estimated useful lives. Investment property is depreciated from the date of acquisition.

The residual value, useful life and depreciation method applied to each class of asset are reviewed at least annually.

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

	Rate
Building	25 years

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.

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

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

Membership shares

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

5. Cash and cash equivalents

	2023	*2022*
Cash	**821,877**	1,254,618
Cash equivalents	**10,654,804**	10,909,393
Line of credit	**(304,889)**	-
	11,171,792	12,164,011

6. Investments

	2023	*2022*
Measured at amortized cost		
SaskCentral and Concentra Bank deposits	**26,359,337**	27,359,338
Measured at fair value through profit or loss		
SaskCentral and Concentra Bank shares	**588,538**	898,467
Other equity instruments	**369,350**	237,516
	27,317,225	28,495,321
Accrued interest	**280,321**	188,318
	27,597,546	28,683,639

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

	2023	*2022*
Investment portfolio rating		
BBB	**21,750,000**	21,750,000
R1	**5,197,875**	6,507,805
Unrated	**369,350**	237,516
	27,317,225	28,495,321

6. Investments *(Continued from previous page)*

Statutory liquidity

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

Liquidity coverage ratio

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

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

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

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

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

7. Member loans receivable

Principal and allowance by loan type:

					2023
	Principal performing	**Principal impaired**	**Allowance specific**	**Allowance for expected credit losses**	**Net carrying value**
Agriculture loans and mortgages	35,635,756	-	-	74,727	**35,561,029**
Commercial loans and mortgages	6,717,136	557,360	175,639	556,633	**6,542,224**
Consumer loans	2,097,642	-	-	17,711	**2,079,931**
Lines of credit	1,601,154	-	-	24,821	**1,576,333**
Residential mortgages	23,155,110	-	-	65,422	**23,089,688**
	69,206,798	557,360	175,639	739,314	**68,849,205**
Accrued interest	659,554	27,361	27,361	-	**659,554**
	69,866,352	584,721	203,000	739,314	**69,508,759**

7. Member loans receivable *(Continued from previous page)*

2022

	Principal performing	Principal impaired	Allowance specific	Allowance for expected credit losses	Net carrying value
Agriculture loans	29,538,496	-	-	123,278	29,415,218
Commercial loans	7,339,215	554,779	185,891	87,634	7,620,469
Consumer loans	2,052,917	-	-	18,320	2,034,597
Lines of credit	1,473,671	-	-	22,959	1,450,712
Mortgages	21,930,031	351,465	188,823	39,123	22,053,550
	62,334,330	906,244	374,714	291,314	62,574,546
Accrued interest	456,701	35,286	35,286	-	456,701
	62,791,031	941,530	410,000	291,314	63,031,247

The allowance for loan impairment changed as follows:

	2023	*2022*
Balance, beginning of year	**701,314**	515,000
Provision for impaired loans	**486,031**	214,330
	1,187,345	729,330
Less: accounts written off, net of recoveries	**245,031**	28,016
Balance, end of year	**942,314**	701,314

8. Other assets

	2023	*2022*
Accounts receivable	**40,000**	1,249,192
Prepaid expenses and deposits	**34,980**	24,391
Deferred tax asset (Note 13)	**183,271**	83,045
	258,251	1,356,628

9. Property, plant and equipment

	Land	*Buildings*	*Furniture and equipment*	*Total*
Cost				
Balance at December 31, 2021	44,553	1,099,783	526,539	1,670,875
Additions	-	-	18,113	18,113
Balance at December 31, 2022	44,553	1,099,783	544,652	1,688,988
Additions	**-**	**-**	**28,724**	**28,724**
Disposals	**-**	**-**	**(243,532)**	**(243,532)**
Balance at December 31, 2023	**44,553**	**1,099,783**	**329,844**	**1,474,180**
Accumulated depreciation				
Balance at December 31, 2021	-	735,026	489,996	1,225,022
Depreciation	-	39,231	24,927	64,158
Balance at December 31, 2022	-	774,257	514,923	1,289,180
Depreciation	**-**	**34,361**	**45,848**	**80,209**
Disposals	**-**	**-**	**(243,532)**	**(243,532)**
Balance at December 31, 2023	**-**	**808,618**	**317,239**	**1,125,857**
Net book value				
At December 31, 2022	44,553	325,526	29,729	399,808
At December 31, 2023	**44,553**	**291,165**	**12,605**	**348,323**

10. Investment property

Changes to the carrying amount of investment property from the beginning to the end of the financial year are as follows:

	2023	*2022*
Carrying amount, beginning of the year	**146,735**	160,672
Depreciation	**(13,564)**	(13,937)
Carrying amount, end of year	**133,171**	146,735

Investment property consisting of one rental house is measured under the cost model. Based on market information, a estimate of $330,300 has been determined, around which the fair value of investment property valued under the cost model is likely to lie.

During the December 31, 2023 year, $6,000 (2022 - $6,000) of rental income from investment property was recognized in other income. Property taxes, general repairs and maintenance and house insurance are the responsibility of the Credit Union, as well as utilities when the property is not being rented. These costs are included in occupancy expenses each year.

11. Line of credit

The Credit Union has an authorized line of credit due on demand, with no fixed repayment date, bearing interest at prime minus 0.5% (6.70% at December 31, 2023), in the amount of $2,100,000 (2022 - $2,000,000) from SaskCentral. As at December 31, 2023, $304,889 was advanced (2022 - $nil).

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

12. Member deposits

	2023	*2022*
Chequing, savings, plan 24	**65,098,102**	62,810,436
Registered savings plans	**8,630,385**	8,458,340
Term deposits	**22,496,599**	23,115,403
Accrued interest	**586,142**	288,140
	96,811,228	94,672,319

Member deposits are subject to the following terms:

- Chequing, savings and plan 24 products are payable on demand and bear interest at rates up to 1.70% (2022 - 3.50%).
- Registered savings plans are subject to fixed and variable rates of interest up to 5.25% (2022 - 5.03%), with interest payments due monthly, annually or on maturity.
- Term deposits are subject to fixed and variable rates of interest up to 5.25% (2022 - 5.10%), with interest payments due monthly, annually or on maturity.

13. Income tax

Income tax expense recognized in comprehensive income

The applicable tax rate is the aggregate of the federal income tax rate of 9% on income under the small business limit and 15% on income greater than the small business limit (2022 - 9% and 15%) and the provincial tax rate of 0.50% on income under the small business limit and 12% on income over the small business limit (2022 - 0% and 12%). The Credit Union has a reduced small business limit due to its level of taxable capital.

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

Deferred tax recovery recognized in comprehensive income

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

	2023	*2022*
Deferred tax asset		
Property, plant and equipment	**49,731**	35,657
Allowance for impaired loans	**133,540**	47,388
	183,271	83,045
Deferred tax asset is reflected in the statement of financial position as follows:		
Deferred tax asset	**183,271**	83,045

13. Income tax *(Continued from previous page)*

Reconciliation between average effective tax rate and the applicable tax rate

	2023	*2022*
Applicable tax rate	**27.00 %**	27.00 %
Small business deduction	**(17.50)%**	(18.00)%
Income not eligible for deduction	**16.17 %**	2.85 %
Non-taxable portion of dividends	**- %**	(5.16)%
Difference in expected income tax rates	**(4.31)%**	- %
Non-taxable and other items	**(0.27)%**	(0.40)%
Average effective tax rate (tax expense divided by profit before tax)	**21.09 %**	6.29 %

14. Other liabilities

	2023	*2022*
Accounts payable	**182,700**	210,164
Corporate income tax payable	**231,800**	90,715
	414,500	300,879

15. Membership shares

Authorized:

Unlimited number of Common shares, at an issue price of $5.
Unlimited number of Surplus shares, at an issue price of $1.

Issued:

	2023	*2022*
2,077 Common shares (2022 - 2,058)	**10,385**	10,290
480,795 Surplus shares (2022 - 504,670)	**480,795**	504,670
	491,180	514,960

All common and surplus shares are classified as liabilities.

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

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

During the year, the Credit Union issued 136 (2022 - 108) and redeemed 117 (2022 - 117) common shares, and also issued nil (2022 - nil) and redeemed 23,775 (2022 - 27,434) surplus shares.

16. Patronage

The Credit Union declared a patronage refund payable in the amount of $150,000 on December 13, 2023 (2022 - $150,000), to be paid by cash to the members based on lending and deposit business, for the year ended December 31, 2023.

The patronage refund of $150,000 (2022 - $150,000) has been reflected in the statement of comprehensive income with related tax savings of approximately $40,500 (2022 - $40,500) being reflected in the current year's provision for income taxes.

17. Related party transactions

Key management compensation of the Credit Union

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

	2023	*2022*
Salaries and short-term benefits	**191,153**	174,967
Other long-term benefits	**12,880**	12,578
	204,033	187,545

Transactions with key management personnel

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

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

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

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

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

	2023	*2022*
Aggregate loans to KMP	**2,534,124**	7,154,012
Aggregate revolving credit facilities to KMP	**853,000**	1,142,000
Less: approved and undrawn lines of credit	**(674,324)**	(773,470)
	2,712,800	7,522,542

	2023	*2022*
During the year the aggregate value of loans and lines of credit approved to KMP amounted to:		
Mortgages	**1,458,203**	1,115,831
Loans	**614,653**	138,992
	2,072,856	1,254,823

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

	2023	*2022*
Income and expense transactions with KMP consisted of:		
Interest earned on loans and revolving credit facilities to KMP	**156,990**	324,417
Interest paid on deposits to KMP	**11,127**	5,654

	2023	*2022*
The total value of member deposits from KMP as at the year-end:		
Chequing and demand deposits	**2,588,736**	1,636,918
Term deposits	**149,148**	30,008
Registered plans	**116,679**	12,126
Total value of member deposits due to KMP	**2,854,563**	1,679,052

Directors' fees and expenses

	2023	*2022*
Directors' expenses	**2,872**	3,026
Meeting, training and conference costs	**4,336**	4,230

SaskCentral

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

Interest and dividends earned on investments during the year ended December 31, 2023 amounted to $1,702,864 (2022 - $1,948,772 of which $1,207,600 related to the dividend accrued from SaskCentral in relation to the sale of Concentra Bank shares).

Interest paid on borrowings during the year ended December 31, 2023 amounted to $9,125 (2022 - $7,857).

Payments made for affiliation dues for the year ended December 31, 2023 amounted to $9,327 (2022 - $7,605).

18. Capital management

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

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

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

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

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

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

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

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

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

	Regulatory standards	***Board standards***
Total eligible capital to risk-weighted assets	**10.50 %**	**12.00 %**
Total tier 1 capital to risk-weighted assets	**8.50 %**	**12.00 %**
Common equity tier 1 capital to risk-weighted assets	**7.00 %**	**10.00 %**
Leverage ratio	**5.00 %**	**7.00 %**

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

The following table summarizes key capital information:

	2023	*2022*
Eligible capital		
Common equity tier 1 capital	**11,300,934**	10,293,910
Additional tier 1 capital	**-**	-
Total tier 1 capital	**11,300,934**	10,293,910
Total tier 2 capital	**1,230,494**	806,274
Total eligible capital	**12,531,428**	11,100,184
Risk-weighted assets		
Total eligible capital to risk-weighted assets	**20.25 %**	19.54 %
Total tier 1 capital to risk-weighted assets	**18.26 %**	18.12 %
Common equity tier 1 capital to risk-weighted assets	**18.26 %**	18.12 %
Leverage ratio	**11.38 %**	10.37 %

19. 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 Committee and Conduct Review Committee.

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

Credit risk

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

Risk management process

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

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

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

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

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

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

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

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

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

	2023	2022
Unadvanced lines of credit	**9,474,087**	8,497,733
Guarantees and standby letters of credit	**49,638**	111,138
Commitments to extend credit	**1,056,749**	1,199,574
	10,580,474	9,808,445

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.

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

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

Measurement of expected credit losses

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

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

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

The Credit Union has run a number of simulations on its collective allowance, incorporating assumptions about the resulting macroeconomic impacts of inflation and interest rate changes, based on information and facts available at December 31, 2023. The macroeconomic factors that affect the Credit Union 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. Key assumptions of the simulations are flat to decreasing interest rates, inflationary pressures, the quality of credit, and the borrower's future ability to service debt. The information for these assumptions is based off 2023 economic forecasts. These assumptions were shocked up and down 10-30% in the best and worst case scenario.

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

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. At December 31, 2023, management booked an overlay of $434,588 (2022 - $42,336) to increase the allowance.

Write-offs

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

Exposure to credit risk

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

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

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

	12-month ECL	2023 Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Consumer loans				
Low risk	2,097,642	-	-	2,097,642
Total gross carrying amount	2,097,642	-	-	2,097,642
Less: loss allowance	17,711	-	-	17,711
Total carrying amount	2,079,931	-	-	2,079,931
Residential mortgages				
Low risk	23,155,110	-	-	23,155,110
Total gross carrying amount	23,155,110	-	-	23,155,110
Less: loss allowance	65,422	-	-	65,422
Total carrying amount	23,089,688	-	-	23,089,688
Commercial loans and mortgages				
Low risk	5,506,936	-	-	5,506,936
Moderate risk	-	1,210,200	-	1,210,200
Default	-	-	557,360	557,360
Total gross carrying amount	5,506,936	1,210,200	557,360	7,274,496
Less: loss allowance	134,851	421,782	203,000	759,633
Total carrying amount	5,372,085	788,418	354,360	6,514,863
Agricultural loans and mortgages				
Low risk	35,635,756	-	-	35,635,756
Total gross carrying amount	35,635,756	-	-	35,635,756
Less: loss allowance	74,727	-	-	74,727
Total carrying amount	35,561,029	-	-	35,561,029
Lines of credit				
Low risk	1,601,154	-	-	1,601,154
Total gross carrying amount	1,601,154	-	-	1,601,154
Less: loss allowance	24,821	-	-	24,821
Total carrying amount	1,576,333	-	-	1,576,333
Total				
Low risk	67,996,598	-	-	67,996,598
Moderate risk	-	1,210,200	-	1,210,200
Default	-	-	557,360	557,360
Total gross carrying amount	67,996,598	1,210,200	557,360	69,764,158
Less: loss allowance	317,532	421,782	203,000	942,314
Total carrying amount	67,679,066	788,418	354,360	68,821,844

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

	2022			
	12-month ECL	*Lifetime ECL (not credit impaired)*	*Lifetime ECL (credit impaired)*	*Total*
Consumer loans and lines of credit				
Low risk	2,386,432	-	-	2,386,432
Total gross carrying amount	2,386,432	-	-	2,386,432
Less: loss allowance	33,996	-	-	33,996
Total carrying amount	2,352,436	-	-	2,352,436
Residential mortgages				
Low risk	21,831,429	-	-	21,831,429
Default	-	-	475,372	475,372
Total gross carrying amount	21,831,429	-	475,372	22,306,801
Less: loss allowance	39,176	-	218,000	257,176
Total carrying amount	21,792,253	-	257,372	22,049,625
Commercial loans and lines of credit				
Low risk	7,669,810	-	-	7,669,810
Default	-	-	555,994	555,994
Total gross carrying amount	7,669,810	-	555,994	8,225,804
Less: loss allowance	91,596	-	192,000	283,596
Total carrying amount	7,578,214	-	363,994	7,942,208
Agriculture loans and lines of credit				
Low risk	30,321,537	-	-	30,321,537
Total gross carrying amount	30,321,537	-	-	30,321,537
Less: loss allowance	126,546	-	-	126,546
Total carrying amount	30,194,991	-	-	30,194,991
Total				
Low risk	62,209,208	-	-	62,209,208
Default	-	-	1,031,366	1,031,366
Total gross carrying amount	62,209,208	-	1,031,366	63,240,574
Less: loss allowance	291,314	-	410,000	701,314
Total carrying amount	61,917,894	-	621,366	62,539,260

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 Turtleford, Saskatchewan and surrounding areas.

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

Amounts arising from expected credit losses

Reconciliation of the loss allowance

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

	12-month ECL	*Lifetime ECL (not credit impaired)*	*Lifetime ECL (credit impaired)*	*Total*
Consumer loans				
Balance at January 1, 2022	**21,166**	**-**	**-**	**21,166**
Net remeasurement of loss allowance	**12,830**	**-**	**-**	**12,830**
Balance at December 31, 2022	**33,996**	**-**	**-**	**33,996**
Net remeasurement of loss allowance	**(16,285)**	**-**	**-**	**(16,285)**
Balance at December 31, 2023	**17,711**	**-**	**-**	**17,711**
Residential mortgages				
Balance at January 1, 2022	**27,505**	**-**	**161,000**	**188,505**
Net remeasurement of loss allowance	**11,671**	**-**	**57,000**	**68,671**
Balance at December 31, 2022	**39,176**	**-**	**218,000**	**257,176**
Net remeasurement of loss allowance	**26,246**	**-**	**(218,000)**	**(191,754)**
Balance at December 31, 2023	**65,422**	**-**	**-**	**65,422**
Commercial loans and mortgages				
Balance at January 1, 2022	**99,949**	**59,230**	**30,000**	**189,179**
Net remeasurement of loss allowance	**(8,353)**	**(59,230)**	**162,000**	**94,417**
Balance at December 31, 2022	**91,596**	**-**	**192,000**	**283,596**
Net remeasurement of loss allowance	**43,255**	**421,782**	**11,000**	**476,037**
Balance at December 31, 2023	**134,851**	**421,782**	**203,000**	**759,633**
Agricultural loans and mortgages				
Balance at January 1, 2022	**116,150**	**-**	**-**	**116,150**
Net remeasurement of loss allowance	**10,396**	**-**	**-**	**10,396**
Balance at December 31, 2022	**126,546**	**-**	**-**	**126,546**
Net remeasurement of loss allowance	**(51,819)**	**-**	**-**	**(51,819)**
Balance at December 31, 2023	**74,727**	**-**	**-**	**74,727**
Lines of credit				
Balance at January 1, 2022	**-**	**-**	**-**	**-**
Net remeasurement of loss allowance	**-**	**-**	**-**	**-**
Balance at December 31, 2022	**-**	**-**	**-**	**-**
Net remeasurement of loss allowance	**24,821**	**-**	**-**	**24,821**
Balance at December 31, 2023	**24,821**	**-**	**-**	**24,821**

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

	12-month ECL	*Lifetime ECL (not credit impaired)*	*Lifetime ECL (credit impaired)*	*Total*
Total				
Balance at January 1, 2022	**264,770**	**59,230**	**191,000**	**515,000**
Net remeasurement of loss allowance	**26,544**	**(59,230)**	**219,000**	**186,314**
Balance at December 31, 2022	**291,314**	**-**	**410,000**	**701,314**
Net remeasurement of loss allowance	**26,218**	**421,782**	**(207,000)**	**241,000**
Balance at December 31, 2023	**317,532**	**421,782**	**203,000**	**942,314**

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

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

Market risk

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

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

Risk measurement

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

Objectives, policies and processes

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

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

Interest rate risk

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

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

Sensitivity analysis is used to assess the change in value of the Credit Union’s financial instruments against a range of incremental basis point changes in interest rates over a twelve month period. Interest rate shock analysis is calculated in a similar manner to sensitivity analysis but involves a more significant change of 100 basis points or greater in interest rates. Sensitivity analysis and interest rate shock analysis are calculated on a quarterly basis and are reported to the Board of Directors. Based on current differences between financial assets and financial liabilities as at year-end, the Credit Union estimates that an immediate and sustained 100 basis point increase in interest rates would increase net interest margin by $67,347 (2022 - $74,940) over the next 12 months while an immediate and sustained 100 basis point decrease in interest rates would decrease net interest margin by $67,347 (2022 - $74,940) over the next 12 months.

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

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.

(In thousands)

	On demand	Within 3 months	Over 3 months to 1 year	Over 1 year	Non-interest sensitive	2023 Total	2022 Total
Assets							
Cash and cash equivalents	10,350	-	-	-	822	**11,172**	12,164
Average yield %	*5.09*	-	-	-	-	*4.72*	*3.75*
Investments	-	3,400	16,560	6,404	1,234	**27,598**	28,684
Average yield %	-	*2.91*	*4.37*	*3.98*	-	*3.90*	*3.13*
Member loans receivable	7,963	5,609	8,719	47,218	-	**69,509**	63,031
Average yield %	*8.30*	*4.52*	*4.93*	*5.14*	-	*5.42*	*5.02*
Accounts receivable	-	-	-	-	40	**40**	1,249
	18,313	**9,009**	**25,279**	**53,622**	**2,096**	**108,319**	105,128
Liabilities							
Member deposits	34,681	6,936	14,103	9,924	31,167	**96,811**	94,672
Average yield %	*0.60*	*3.20*	*3.99*	*3.87*	-	*1.42*	*0.96*
Accounts payable	-	-	-	-	183	**183**	210
Membership shares	-	-	-	-	491	**491**	515
	34,681	**6,936**	**14,103**	**9,924**	**31,841**	**97,485**	95,397
Net sensitivity	**(16,368)**	**2,073**	**11,176**	**43,698**	**(29,745)**	**10,834**	9,731

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

Liquidity risk

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

As at December 31, 2023, two (2022 - two) members holds approximately 16.47% (2022 - 16.04%) of the Credit Union's total deposits. The Credit Union believes that there is no unusual exposure associated with this deposit concentration. This risk is mitigated by the remainder of deposits being spread across many members.

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

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

- Structural liquidity risk, which addresses the risk due to mismatches in effective maturities between assets and liabilities, more specifically the risk of over reliance on short-term liabilities to fund long-term illiquid assets;
- Tactical liquidity risk, which addresses the day-to-day funding requirements that are managed by imposing prudential limits on net fund outflows; 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.

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

The following table details contractual maturities of financial liabilities:

As at December 31, 2023:

(In thousands)

	< 1 year	1-2 years	> 2 years	Total
Member deposits	**86,887**	**4,899**	**5,025**	**96,811**
Accounts payable	**183**	**-**	**-**	**183**
Membership shares	**-**	**-**	**491**	**491**
	87,070	**4,899**	**5,516**	**97,485**

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

As at December 31, 2022:

(In thousands)

	< 1 year	1-2 years	> 2 years	Total
Member deposits	84,526	6,279	3,867	94,672
Accounts payable	210	-	-	210
Membership shares	-	-	515	515
	84,736	6,279	4,382	95,397

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

As at December 31, 2023:

(In thousands)

	< 1 year	**1-2 years**	**> 2 years**	**Total**
Cash and cash equivalents	**11,172**	**-**	**-**	**11,172**
Investments	**21,194**	**4,904**	**1,500**	**27,598**
Member loans receivable	**22,291**	**10,835**	**36,383**	**69,509**
Accounts receivable	**40**	**-**	**-**	**40**
	54,697	**15,739**	**37,883**	**108,319**

As at December 31, 2022:

(In thousands)

	< 1 year	1-2 years	> 2 years	Total
Cash and cash equivalents	12,164	-	-	12,164
Investments	16,320	9,964	2,400	28,684
Member loans receivable	24,868	8,624	29,539	63,031
Accounts receivable	1,249	-	-	1,249
	54,601	18,588	31,939	105,128

20. 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.

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

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

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

Financial assets and financial liabilities measured at fair value

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

(In thousands)	***Fair value***	***Level 1***	***Level 2***	***2023 Level 3***
Financial assets				
Cash	**822**	**822**	**-**	**-**
SaskCentral and Concentra Bank shares	**589**	**-**	**-**	**589**
Other equity instruments	**369**	**-**	**345**	**24**
	1,780	**822**	**345**	**613**

(In thousands)	*Fair value*	*Level 1*	*Level 2*	*2022 Level 3*
Financial assets				
Cash	1,255	1,255	-	-
SaskCentral and Concentra Bank shares	898	-	-	898
Other equity instruments	237	-	213	24
	2,390	1,255	213	922

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

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

Financial instruments not measured at fair value

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

(In thousands)	***Carrying amount***	***Fair value***	***Level 1***	***Level 2***	***2023 Level 3***
Financial assets measured at amortized cost					
Cash equivalents	**10,350**	**10,350**	**10,350**	**-**	**-**
Investments	**26,640**	**26,609**	**-**	**26,609**	**-**
Member loans receivable	**69,509**	**67,689**	**-**	**67,689**	**-**
Accounts receivable	**40**	**40**	**-**	**40**	**-**
	106,539	**104,688**	**10,350**	**94,338**	**-**

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

(In thousands)	***Carrying amount***	***Fair value***	***Level 1***	***Level 2***	***2023*** ***Level 3***
Financial liabilities measured at amortized cost					
Member deposits	**96,811**	**96,828**	**-**	**96,828**	**-**
Accounts payable	**183**	**183**	**-**	**183**	**-**
Membership shares	**491**	**491**	**-**	**-**	**491**
	97,485	**97,502**	**-**	**97,011**	**491**

(In thousands)	*Carrying amount*	*Fair value*	*Level 1*	*Level 2*	*2022* *Level 3*
Financial assets measured at amortized cost					
Cash equivalents	10,909	10,909	10,909	-	-
Investments	27,548	27,237	-	27,237	-
Member loans receivable	63,031	61,150	-	61,150	-
Accounts receivable	1,249	1,249	-	1,249	-
	102,737	100,545	10,909	89,636	-
Financial liabilities measured at amortized cost					
Member deposits	94,672	94,575	-	94,575	-
Accounts payable	210	210	-	210	-
Membership shares	515	515	-	-	515
	95,397	95,300	-	94,785	515

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.

21. Commitments

In 2016, the Credit Union entered into a seven year commitment with Celero for the provision of retail banking services. In 2021, the agreement was extended another three years. The annual operating fee is calculated based on the average number of outstanding accounts throughout the year. The annual operating fees for the year ended December 31, 2023 were $77,624 (2022 - $71,477) and recorded as an expense. The annual estimated fee for the year ended December 31, 2024 is $80,706 (2023 - $77,624).

In 2021, the Credit Union entered into an agreement to purchase units in the MDL Real Estate Income 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 2023 the Credit Union has advanced $129,567 (2022 - $100,233) of their total commitment of $200,000 (2022 - $200,000) to the MDL Real Estate Income Fund.

In 2022, the Credit Union entered into an agreement to purchase units in the Westcap MBO III Investment Fund. The Credit Union makes advances to the Fund when requested which decreases the remaining commitment. Redemption of units does not increase the total remaining commitment to the Fund. At the end of December 2023, the Credit Union has advanced $215,500 (2022 - $113,000) of their total commitment of $500,000 (2022 - $500,000) to the Westcap MBO III Fund.

In 2022, the Credit Union entered into a five year commitment for the provision of their financial and banking performance application and regulatory reporting. The total commitment for the remaining four years of the contract from April 1, 2024 to March 31, 2028 is $99,246 (2022 - $140,000).

In 2022, the Credit Union entered into a three year commitment for software subscription services. The total commitment for the remaining two years of the contract from February 1, 2024 to January 31, 2026 is $23,200 (2022 - $34,800).

In 2023, the Credit Union entered into a five year commitment for security equipment and software. The total commitment for the five year contract effective beginning September 2023 is $35,580.

In 2023, the Credit Union entered into a two year commitment for Anti-Money Laundering and Anti-Terrorist Financing compliance support. The total commitment for the contract from December 1, 2023 to November 30, 2025 is $34,650.

In 2023, the Credit Union entered into a one year commitment for marketing support. The total commitment for the contract from January 2, 2024 to December 31, 2024 is $37,800.

22. Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation. The reclassifications had no impact on comprehensive income.

Saskatchewan Credit Unions

Quick Facts

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

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

TURTLEFORD CREDIT UNION LIMITED

Historical Information

Year	Assets($)	Membership	Capital($)
1972	552,219	466	7,310
1973	846,087	596	8,945
1974	1,291,243	700	128,902
1975	1,752,192	752	140,668
1976	1,781,650	846	140,760
1977	1,985,939	934	174,397
1978	2,253,517	968	198,678
1979	2,868,026	992	217,920
1980	3,185,445	1,010	243,342
1981	3,737,500	1,026	234,578
1982	4,325,760	1,089	255,709
1983	4,928,315	1,160	299,090
1984	5,933,278	1,122	362,186
1985	7,337,479	1,134	249,965
1986	7,337,479	1,173	237,337
1987	8,185,327	1,280	258,384
1988	9,265,453	1,304	340,594
1989	10,377,480	1,448	449,702
1990	12,990,718	1,563	637,990
1991	14,159,757	1,660	791,794
1992	14,280,720	1,706	865,469
1993	15,321,829	1,794	1,006,760
1994	16,266,304	1,847	1,149,308
1995	18,073,183	1,884	1,342,411
1996	19,789,993	1,900	1,555,260
1997	19,455,864	1,992	1,762,629
1998	20,535,954	1,963	1,957,483
1999	21,628,441	1,897	2,137,077
2000	22,535,310	2,246	2,379,135
2001	25,531,000	1,956	2,587,664
2002	26,215,672	1,995	2,692,504
2003	30,418,527	2,027	2,817,982
2004	30,653,227	1,956	2,755,295
2005	31,049,521	2,013	2,871,941
2006	33,313,878	2,176	3,079,713
2007	36,310,240	2,065	3,276,792
2008	38,942,572	2,149	3,496,834
2009	43,369,618	1,887	3,436,575
2010	46,392,618	1,862	3,537,226
2011	50,478,423	1875	3,770,159
2012	58,570,862	1887	4,129,857
2013	65,981,385	1896	4,605,906
2014	73,838,783	1931	5,232,342
2015	75,975,242	1934	5,749,032
2016	75,345,998	1937	6,447,955
2017	83,558,812	1973	6,879,408
2018	85,610,937	2050	7,328,687
2019	86,510,761	2099	7,886,955
2020	90,804,046	2112	8,407,061
2021	101,328,296	2067	8,864,401
2022	105,782,068	2061	10,808,870
2023	109,017,842	2077	11,792,114

CREDIT UNION DEPOSIT GUARANTEE CORPORATION
ANNUAL REPORT MESSAGE 2023

January 2024

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

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

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