Dodsland and District Credit Union Limited
Consolidated Financial Statements
December 31, 2023

Contents

For the year ended December 31, 2023

Management's Responsibility

To the Members of Dodsland and District Credit Union Limited and its subsidiary:

Management is responsible for the preparation and fair presentation of the accompanying consolidated 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 consolidated financial 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 consolidated 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 consolidated financial statements.

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

MNP LLP is appointed by the members to audit the consolidated 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 25, 2024

General Manager

To the Members of Dodsland and District Credit Union Limited and its subsidiary:

Opinion

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

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

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

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Credit Union to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Saskatoon, Saskatchewan

March 25, 2024

MNP LLP

Chartered Professional Accountants

Dodsland and District Credit Union Limited
Consolidated Statement of Financial Position
As at December 31, 2023

	2023	*2022*
Assets		
Cash and cash equivalents *(Note 5)*	**22,959,479**	26,723,958
Investments *(Note 6)*	**41,277,803**	30,268,781
Member loans receivable *(Note 7)*	**93,374,136**	90,625,814
Other assets *(Note 8)*	**437,307**	2,079,988
Property, plant and equipment *(Note 9)*	**290,863**	316,089
Investment property *(Note 10)*	**198,500**	216,500
Goodwill *(Note 11)*	**907,988**	907,988
	159,446,076	151,139,118
Liabilities		
Member deposits *(Note 13)*	**139,073,956**	132,749,747
Other liabilities *(Note 15)*	**434,035**	345,393
Membership shares *(Note 16)*	**7,765**	7,650
	139,515,756	133,102,790
Commitments *(Note 20), (Note 22)*		
Members' equity		
Retained earnings	**19,930,320**	18,036,328
	159,446,076	151,139,118

Approved on behalf of the Board

Director **Director**

Dodsland and District Credit Union Limited
Consolidated Statement of Comprehensive Income
For the year ended December 31, 2023

	2023	*2022*
Interest income		
Member loans	**4,948,356**	4,060,183
Investments	**2,590,900**	2,630,318
	7,539,256	6,690,501
Interest expense		
Member deposits	**2,630,501**	1,155,495
Borrowed money	**12,258**	8,081
	2,642,759	1,163,576
Gross financial margin	**4,896,497**	5,526,925
Other income	**936,091**	1,031,876
	5,832,588	6,558,801
Operating expenses		
Personnel	**1,357,281**	1,348,320
Security	**147,575**	130,184
Organizational	**39,572**	37,018
Occupancy	**155,630**	112,917
General business	**1,028,257**	1,048,748
	2,728,315	2,677,187
Income before provision for impaired loans and foreclosed assets, patronage refund and provision for (recovery of) income taxes	**3,104,273**	3,881,614
Provision for impaired loans *(Note 7)*	**175,766**	539,695
Provision for foreclosed assets	**188,538**	159,062
	364,304	698,757
Income before patronage refund and provision for (recovery of) income taxes	**2,739,969**	3,182,857
Patronage refund *(Note 17)*	**250,000**	250,000
Income before provision for (recovery of) income taxes	**2,489,969**	2,932,857
Provision for (recovery of) income taxes *(Note 14)*		
Current	**595,713**	378,664
Deferred	**264**	(30,554)
	595,977	348,110
Comprehensive income	**1,893,992**	2,584,747

The accompanying notes are an integral part of these financial statements

Dodsland and District Credit Union Limited
Consolidated Statement of Changes in Members' Equity
For the year ended December 31, 2023

	Retained earnings	*Total equity*
Balance December 31, 2021	**15,451,581**	**15,451,581**
Comprehensive income	**2,584,747**	**2,584,747**
Balance December 31, 2022	**18,036,328**	**18,036,328**
Comprehensive income	**1,893,992**	**1,893,992**
Balance December 31, 2023	**19,930,320**	**19,930,320**

The accompanying notes are an integral part of these financial statements

Dodsland and District Credit Union Limited
Consolidated 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	**4,728,732**	4,058,674
Interest received from investments	**3,912,791**	832,186
Other income	**936,091**	1,031,876
Cash paid to suppliers and employees	**(2,627,651)**	(2,579,681)
Interest paid on deposits	**(2,052,315)**	(1,072,830)
Interest paid on borrowed money	**(12,258)**	(8,081)
Patronage refund	**(250,000)**	(250,000)
Income taxes paid	**(558,637)**	(9,850)
	4,076,753	2,002,294
Financing activities		
Net change in member deposits	**5,746,023**	6,054,277
Net change in membership shares	**115**	140
	5,746,138	6,054,417
Investing activities		
Net change in investments	**(10,694,368)**	(3,821,028)
Net change in member loans receivable	**(2,893,002)**	(2,944,110)
	(13,587,370)	(6,765,138)
Increase (decrease) in cash and cash equivalents	**(3,764,479)**	1,291,573
Cash and cash equivalents, beginning of year	**26,723,958**	25,432,385
Cash and cash equivalents, end of year	**22,959,479**	26,723,958

1. Reporting entity

Dodsland and District Credit Union Limited and its subsidiary (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 Dodsland, Saskatchewan and the surrounding community. The address of the Credit Union’s registered office is 201 2nd Avenue, Dodsland, Saskatchewan.

The consolidated financial statements of the Credit Union as at and for the year ended December 31, 2023 comprise the Credit Union and its wholly owned subsidiary Shortt Insurance Brokers Ltd. Together, these entities are referred to as the Credit Union.

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

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

Statement of compliance

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

The consolidated financial statements were approved by the Audit and Risk Committee on behalf of the Board of Directors and authorized for issue on March 25, 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.

- IAS1 *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 consolidated financial statements have been prepared using the historical cost basis except for the revaluation of certain financial instruments.

Functional and presentation currency

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

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

Significant accounting judgments, estimates and assumptions

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

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

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

Classification of financial assets

Classification of financial assets requires management to make judgments regarding the business model under which the Credit Union's financial assets are held and whether contractual cash flows consist solely of payments of principal and interest. Management has determined that the penalty to exercise prepayment features embedded in certain loans made to 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 and demand features
- The probability-weighted outcome, including identification of scenarios that specify the amount and timing of the cash flows for particular outcomes and the estimated probability of those outcomes
- The risk of default occurring on loans during their expected lives and during the next 12 months after the reporting date
- Expected cash short falls including, recoveries, costs to recover and the effects of any collateral or other credit enhancements
- Estimates of effective interest rates used in incorporating the time value of money
- Effects of economic changes, such as inflation and rising interest rates, on specific sectors to which the Credit Union has credit exposures

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

Key assumptions in determining the allowance for expected credit losses *(Continued from previous page)*

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 consolidated 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 consolidated financial statements which are presented at annual meetings of members. It is management's opinion that the disclosures in these consolidated 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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Credit Union and its wholly owned subsidiary, Shortt Insurance Brokers Ltd.

Subsidiaries are entities controlled by the Credit Union. Control is achieved where the Credit Union is exposed, or has rights, to variable returns from its involvement with the investee and it has the ability to affect those returns through its power over the investee. In assessing control, only rights which give the Credit Union the current ability to direct the relevant activities and that the Credit Union has the practical ability to exercise, are considered.

The results of subsidiaries acquired or disposed of during the year are included in these consolidated financial statements from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency with those used by other members of the group.

Any balances, unrealized gains and losses or income and expenses arising from intra-Company transactions, are eliminated upon consolidation. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Credit Union’s interest in the investee. Unrealized losses are eliminated in the same manner as unrealized gains, but only to the extent that there is no evidence of impairment.

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 consolidated statement of financial position date. Exchange gains and losses on translation or settlement are recognized in comprehensive income for the current period.

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

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 is included in the financial instruments section of Note 4.

Financial instruments

Financial assets

Recognition and initial measurement

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

Classification and subsequent measurement

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

Debt instruments are classified as follows:

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

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

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 covenant and requests to restructure loan payment schedules. For financial assets assessed as credit-impaired at the reporting date, the Credit Union continues to recognize a loss allowance equal to lifetime expected credit losses.

Loss allowances for expected credit losses are presented in the consolidated 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 20 for additional information about the Credit Union’s credit risk management process, credit risk exposure and the amounts arising from expected credit losses.

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

Derecognition of financial assets

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

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

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

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

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

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

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

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

Modification of financial assets

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

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

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

Financial liabilities

Recognition and initial measurement

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

Classification and subsequent measurement

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

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

Derecognition of financial liabilities

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

Derivatives

Derivatives are initially recognized at fair value on the date the Credit Union becomes party to the provisions of the contract, and are subsequently remeasured at fair value at the end of each reporting period. Changes in the fair value of derivative instruments are recognized in profit or loss.

Dividend income

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

Interest

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

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

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

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

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

Collateral

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change 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.

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

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.

Impairment of non-financial assets

At the end of each reporting period, the Credit Union reviews the carrying amounts of its tangible and intangible 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 consolidated statement of financial position. All loans syndicated by the Credit Union are on a fully serviced basis. The Credit Union receives fee income for services provided in the servicing of the transferred financial assets.

Foreclosed assets

Foreclosed assets held for sale are initially recorded at the lower of cost and fair value less costs to sell. Cost comprises the balance of the loan at the date on which the Credit Union obtains title to the asset plus subsequent disbursements related to the asset, less any revenues or lease payments received. Foreclosed assets held for sale are subsequently valued at the lower of their carrying amount and fair value less cost to sell. Foreclosed assets are recorded in member loans receivable as outlined in Note 7.

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)*

Property, plant and equipment *(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	8 - 20 years
Computer equipment	2 - 5 years
Equipment	2 - 5 years
Furniture and fixtures	2 - 5 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
Buildings	8 - 20 years

Goodwill

Goodwill arising in a business combination is recognized as an asset at the date of control (acquisition date). Goodwill is measured as the excess of the cost of the acquisition over the Credit Union’s interests in the net fair value of the identifiable net assets, liabilities and contingent liabilities of the acquiree recognized at the date of acquisition.

For the purposes of assessing impairment, goodwill is allocated to individual CGU's or groups of CGU's that are expected to benefit from the synergies of the combination. Each unit to which goodwill is allocated represents, subject to an operating segment ceiling test, the lowest level within the Credit Union that goodwill is monitored for internal reporting purposes. The impairment of non-financial assets note describes how goodwill is tested for impairment.

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

Income taxes

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

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

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

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

Recognition of deferred tax assets for unused tax losses, tax credits, and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available which 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	**2,644,065**	6,714,530
Cash equivalents	**20,315,414**	20,009,428
	22,959,479	26,723,958

6. Investments

	2023	*2022*
Measured at amortized cost		
SaskCentral and Concentra Bank deposits	**39,674,128**	28,674,129
Measured at fair value through profit or loss		
SaskCentral shares	**487,182**	911,135
Other equity investments	**615,230**	496,908
	1,102,412	1,408,043
Accrued interest	**501,263**	186,609
	41,277,803	30,268,781

6. Investments *(Continued from previous page)*

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

	2023	*2022*
Investment portfolio rating		
BBB	**33,900,000**	26,400,000
R1	**6,261,310**	3,185,264
Unrated	**615,230**	496,908
	40,776,540	30,082,172

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	21,646,244	-	-	46,029	**21,600,215**
Commercial loans and mortgages	31,154,029	1,275,637	684,928	482,428	**31,262,310**
Consumer loans	3,554,298	2,570	-	1,904	**3,554,964**
Lines of credit	2,604,038	-	-	29,334	**2,574,704**
Residential mortgages	33,616,354	-	-	280,051	**33,336,303**
	92,574,963	1,278,207	684,928	839,746	**92,328,496**
Foreclosed assets	293,846	68,532	68,532	-	**293,846**
Accrued interest	751,794	171,020	171,020	-	**751,794**
	93,620,603	1,517,759	924,480	839,746	**93,374,136**

					2022
	Principal performing	Principal impaired	Allowance specific	Allowance for expected credit losses	Net carrying value
Agriculture loans and mortgages	23,267,816	-	-	91,712	23,176,104
Commercial loans and mortgages	25,992,610	1,219,269	789,268	390,147	26,032,464
Consumer loans	3,443,944	10,104	5,104	2,076	3,446,868
Lines of credit	2,778,372	-	-	33,071	2,745,301
Residential mortgages	34,337,861	-	-	334,040	34,003,821
	89,820,603	1,229,373	794,372	851,046	89,404,558
Foreclosed assets	635,565	444,370	444,370	-	635,565
Accrued interest	585,691	117,500	117,500	-	585,691
	91,041,859	1,346,873	911,872	851,046	90,625,814

The allowance for loan impairment changed as follows:

	2023	*2022*
Balance, beginning of year	**1,762,918**	1,223,223
Provision for impaired loans	**175,766**	539,695
	1,938,684	1,762,918
Less: accounts written off, net of recoveries	**105,926**	-
Balance, end of year	**1,832,758**	1,762,918

8. Other assets

	2023	2022
Accounts receivable	**129,641**	1,768,850
Prepaid expenses and deposits	**7,433**	10,641
Deferred tax asset	**300,233**	300,497
	437,307	2,079,988

9. Property, plant, and equipment

	Land	*Buildings*	*Equipment*	*Furniture and fixtures*	*Computer equipment*	*Total*
Cost						
Balance at December 31, 2021	9,600	622,033	271,428	22,303	25,999	951,363
Balance at December 31, 2022	9,600	622,033	271,428	22,303	25,999	951,363
Balance at December 31, 2023	**9,600**	**622,033**	**271,428**	**22,303**	**25,999**	**951,363**
Accumulated depreciation						
Balance at December 31, 2021	-	293,926	270,493	19,265	25,971	609,655
Depreciation	-	24,808	187	608	16	25,619
Balance at December 31, 2022	-	318,734	270,680	19,873	25,987	635,274
Depreciation	-	**24,584**	**150**	**486**	**6**	**25,226**
Balance at December 31, 2023	-	**343,318**	**270,830**	**20,359**	**25,993**	**660,500**
Net book value						
At December 31, 2022	9,600	303,299	748	2,430	12	316,089
At December 31, 2023	**9,600**	**278,715**	**598**	**1,944**	**6**	**290,863**

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	**216,500**	234,500
Depreciation	**(18,000)**	(18,000)
Carrying amount, end of year	**198,500**	216,500

10. Investment property *(Continued from previous page)*

Investment property consisting of three rental houses is measured under the cost model. Based on market comparison, a range of estimates from $618,000 to $664,000 (2022 - $618,000 to $664,000) has been determined, within which the fair value of investment property valued under the cost model is likely to lie.

During the year ended December 31, 2023, $9,000 (2022 - $9,000) 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. Goodwill

	2023	*2022*
Carrying amount	**907,988**	907,988

The purchase of the Credit Union's subsidiary on January 1, 2013 resulted in a goodwill balance equal to that of the purchase price less the net assets of the subsidiary at the time of purchase. There has been no impairment of goodwill since this time.

12. Line of credit

SaskCentral

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 $2,130,000 (2022 - $2,130,000) from SaskCentral. At December 31, 2023, the Credit Union has utilized $nil (2022 - $nil) of its line of credit.

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

Concentra Bank

The Credit Union has an authorized line of credit due on demand, with no fixed repayment date, bearing interest at three month CDOR plus 2.50% (7.95% at December 31, 2023), in the amount of $3,000,000 (2022 - $3,000,000) from Concentra Bank. As at December 31, 2023 the balance was $nil (2022 - $nil). Unadvanced balances carry a standby fee of 22 basis points annually, assessed monthly on unused average balances. Assets pledged as collateral are specific Concentra Bank deposit products and a general security agreement for priority security interest over the Credit Union's present and after-acquired property.

13. Member deposits

	2023	*2022*
Chequing and savings	**67,910,022**	79,421,004
Registered plans	**11,645,655**	10,532,900
Term deposits	**58,462,290**	42,318,040
Accrued interest	**1,055,989**	477,803
	139,073,956	132,749,747

Member deposits are subject to the following terms:

- Chequing and saving products are due on demand and bear interest at rates up to 1.75% (2022 - 1.75%).
- Registered plans are subject to fixed and variable rates of interest up to 4.85% (2022 - 4.85%), with interest payments due monthly, annually, or on maturity.
- Term deposits are subject to fixed and variable rates of interest up to 4.85% (2022 - 4.85%), with interest payments due monthly, annually, or on maturity.

14. 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 - 15% on all taxable income) and the provincial tax rate of 0.5% on income under the small business limit and 12% on income over the small business limit (2022 - 12% on all taxable income). 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, 2025.

Deferred tax expense (recovery) recognized in comprehensive income

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

	2023	*2022*
Deferred tax asset		
Property, plant and equipment	**38,399**	35,189
Intangible asset	**10,142**	10,904
Allowance for impaired loans	**251,692**	254,404
	300,233	300,497
Deferred tax asset is reflected in the consolidated statement of financial position as follows:		
Deferred tax asset	**300,233**	300,497

Reconciliation between average effective tax rate and the applicable tax rate

	2023	*2022*
Applicable tax rate	**27.00 %**	27.00 %
Income eligible for small business deduction	**(0.95)%**	- %
Non-taxable portion of dividends	**- %**	(15.07)%
Non-taxable and other items	**(2.12)%**	(0.06)%
Average effective tax rate (tax expense divided by profit before tax)	**23.93 %**	11.87 %

15. Other liabilities

	2023	*2022*
Accounts payable	**219,636**	168,070
Corporate income tax payable	**214,399**	177,323
	434,035	345,393

16. Membership shares

Authorized:

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

Issued:

	2023	*2022*
1,553 Membership shares (2022 - 1,530)	**7,765**	7,650

All common shares are classified as liabilities.

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

During the year, the Credit Union issued 94 (2022 - 107) and redeemed 71 (2022 - 79) common shares.

17. Patronage

The Credit Union declared a patronage refund payable in the amount of $250,000 (2022 - $250,000), approved by the Board of Directors on December 20, 2023, 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 $250,000 (2022 - $250,000) has been reflected in the consolidated statement of comprehensive income with related tax savings of approximately $67,500 (2022 - $67,500) being reflected in the current year's provision for income taxes.

18. Related party transactions

Key management compensation of the Credit Union

Key management personnel ("KMP") of the Credit Union are the General Manager, Risk Manager and Member Services Manager, and members of the Board of Directors.

KMP remuneration includes the following expenses:

	2023	*2022*
Salaries and short-term benefits	**467,314**	429,058

Transactions with key management personnel

The Credit Union, in accordance with its policy, grants credit to its management, directors 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 consolidated 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 consolidated 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.

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

	2023	2022
Aggregate loans to KMP	**4,850,355**	5,705,003
Aggregate revolving credit facilities to KMP	**714,200**	677,200
Less: approved and undrawn lines of credit	**(694,763)**	(642,361)
	4,869,792	5,739,842

	2023	2022
During the year the aggregate value of loans and lines of credit approved to KMP amounted to:		
Mortgages	**490,000**	1,756,600
Loans	**735,773**	362,815
	1,225,773	2,119,415

	2023	2022
Income and expense transactions with KMP consisted of:		
Interest earned on loans and revolving credit facilities to KMP	**248,931**	182,821
Interest paid on deposits to KMP	**31,297**	22,870

	2023	2022
The total value of member deposits from KMP as at the year-end:		
Chequing and demand deposits	**2,217,647**	6,094,101
Term deposits	**11,661**	950,926
Registered plans	**231,117**	224,658
Total value of member deposits due to KMP	**2,460,425**	7,269,685

Directors' fees and expenses

	2023	2022
Directors' expenses	**2,434**	1,976
Meeting, training and conference costs	**3,780**	6,360

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 amounted to $2,590,900 (2022 - $2,630,318) of which $1,644,104 in 2022 related to the dividend paid from SaskCentral in relation to the sale of Concentra Bank shares.

Interest paid on borrowings during the year amounted to $12,258 (2022 - $8,081).

Payments made for affiliation dues for the year amounted to $6,994 (2022 - $7,930).

19. 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.

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 limits***
Total eligible capital to risk-weighted assets	**10.50 %**	**11.50 %**
Total tier 1 capital to risk-weighted assets	**8.50 %**	**10.00 %**
Common equity tier 1 capital to risk-weighted assets	**7.00 %**	**8.00 %**
Leverage ratio	**5.00 %**	**7.00 %**

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

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

The following table summarizes key capital information:

	2023	*2022*
Eligible capital		
Common equity tier 1 capital	**19,022,332**	17,128,340
Total tier 1 capital	**19,022,332**	17,128,340
Total tier 2 capital	**847,511**	858,696
Total eligible capital	**19,869,843**	17,987,036
Risk-weighted assets		
Total eligible capital to risk-weighted assets	**21.80 %**	21.04 %
Total tier 1 capital to risk-weighted assets	**20.87 %**	20.04 %
Common equity tier 1 capital to risk-weighted assets	**20.87 %**	20.04 %
Leverage ratio	**12.35 %**	11.80 %

20. Financial instruments

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

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

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

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

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

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

Credit risk

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

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

Risk management process

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

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

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

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

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

- Guarantees and standby letters of credit representing irrevocable assurances that the Credit Union will pay if a member cannot meet their obligations to a third party; 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.

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

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

	2023	*2022*
Unadvanced lines of credit	**9,184,650**	9,227,367
Guarantees and standby letters of credit	**1,418,116**	1,149,159
Commitments to extend credit	**889,862**	1,056,832
	11,492,628	11,433,358

Inputs, assumptions and techniques

Definition of default and assessments of credit risk

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

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

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

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

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

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

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, agriculture loans/mortgages, consumer loans and lines of credit). Otherwise, expected credit losses are measured on an individual basis.

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

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

The Credit Union has run a number of simulations on its collective allowance, incorporating assumptions about the resulting macroeconomic impacts of inflation and interest rate changes, based on information and facts available at December 31, 2023. The macroeconomic factors that affect the Credit Union's expected credit loss calculations are: Saskatchewan unemployment rates, provincial housing stats, 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.

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.

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

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

	12-month ECL	*2023 Lifetime ECL (not credit impaired)*	*Lifetime ECL (credit impaired)*	*Total*
Consumer loans				
Low risk	3,554,291	-	-	3,554,291
Medium risk	-	-	-	-
Default	-	-	2,577	2,577
Total gross carrying amount	3,554,291	-	2,577	3,556,868
Less: loss allowance	1,904	-	-	1,904
Total carrying amount	3,552,387	-	2,577	3,554,964
Residential mortgages				
Low risk	32,760,979	-	-	32,760,979
Medium risk	-	-	-	-
Default	-	-	855,375	855,375
Total gross carrying amount	32,760,979	-	855,375	33,616,354
Less: loss allowance	280,051	-	-	280,051
Total carrying amount	32,480,928	-	855,375	33,336,303
Commercial loans and mortgages				
Low risk	29,958,216	-	-	29,958,216
Medium risk	-	-	-	-
Default	-	-	2,711,002	2,711,002
Total gross carrying amount	29,958,216	-	2,711,002	32,669,218
Less: loss allowance	482,428	-	924,480	1,406,908
Total carrying amount	29,475,788	-	1,786,522	31,262,310
Agricultural loans and mortgages				
Low risk	21,547,219	-	-	21,547,219
Medium risk	-	99,025	-	99,025
Default	-	-	-	-
Total gross carrying amount	21,547,219	99,025	-	21,646,244
Less: loss allowance	45,198	831	-	46,029
Total carrying amount	21,502,021	98,194	-	21,600,215
Lines of credit				
Low risk	2,604,038	-	-	2,604,038
Medium risk	-	-	-	-
Default	-	-	-	-
Total gross carrying amount	2,604,038	-	-	2,604,038
Less: loss allowance	29,334	-	-	29,334
Total carrying amount	2,574,704	-	-	2,574,704

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

		2023		
	12-month ECL	***Lifetime ECL (not credit impaired)***	***Lifetime ECL (credit impaired)***	***Total***
Total				
Low risk	**90,424,743**	**-**	**-**	**90,424,743**
Medium risk	**-**	**99,025**	**-**	**99,025**
Default	**-**	**-**	**3,568,954**	**3,568,954**
Total gross carrying amount	**90,424,743**	**99,025**	**3,568,954**	**94,092,722**
Less: loss allowance	**838,915**	**831**	**924,480**	**1,764,226**
Total carrying amount	**89,585,828**	**98,194**	**2,644,474**	**92,328,496**

		2022		
	12-month ECL	*Lifetime ECL (not credit impaired)*	*Lifetime ECL (credit impaired)*	*Total*
Consumer loans				
Low risk	3,443,943	-	-	3,443,943
Medium risk	-	-	-	-
Default	-	-	10,129	10,129
Total gross carrying amount	3,443,943	-	10,129	3,454,072
Less: loss allowance	2,075	-	5,129	7,204
Total carrying amount	3,441,868	-	5,000	3,446,868
Residential mortgages				
Low risk	34,081,396	-	-	34,081,396
Medium risk	-	-	-	-
Default	-	-	256,465	256,465
Total gross carrying amount	34,081,396	-	256,465	34,337,861
Less: loss allowance	334,040	-	-	334,040
Total carrying amount	33,747,356	-	256,465	34,003,821
Commercial loans and mortgages				
Low risk	25,030,834	-	-	25,030,834
Medium risk	-	-	-	-
Default	-	-	2,298,521	2,298,521
Total gross carrying amount	25,030,834	-	2,298,521	27,329,355
Less: loss allowance	390,148	-	906,743	1,296,891
Total carrying amount	24,640,686	-	1,391,778	26,032,464
Agricultural loans and mortgages				
Low risk	22,859,413	-	-	22,859,413
Medium risk	-	398,839	-	398,839
Default	-	-	9,564	9,564
Total gross carrying amount	22,859,413	398,839	9,564	23,267,816
Less: loss allowance	85,576	6,136	-	91,712
Total carrying amount	22,773,837	392,703	9,564	23,176,104

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

		2022		
	12-month ECL	*Lifetime ECL (not credit impaired)*	*Lifetime ECL (credit impaired)*	*Total*
Lines of credit				
Low risk	2,778,372	-	-	2,778,372
Medium risk	-	-	-	-
Default	-	-	-	-
Total gross carrying amount	2,778,372	-	-	2,778,372
Less: loss allowance	33,071	-	-	33,071
Total carrying amount	2,745,301	-	-	2,745,301
Total				
Low risk	88,193,958	-	-	88,193,958
Medium risk	-	398,839	-	398,839
Default	-	-	2,574,679	2,574,679
Total gross carrying amount	88,193,958	398,839	2,574,679	91,167,476
Less: loss allowance	844,910	6,136	911,872	1,762,918
Total carrying amount	87,349,048	392,703	1,662,807	89,404,558

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 Dodsland, Saskatchewan and surrounding areas.

Amounts arising from expected credit losses

Reconciliation of the loss allowance

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

	12-month ECL	***Lifetime ECL (not credit impaired)***	***Lifetime ECL (credit impaired)***	***Total***
Consumer loans				
Balance at January 1, 2022	**38,610**	**1,162**	**12,106**	**51,878**
Net remeasurement of loss allowance	**(36,535)**	**(1,162)**	**(6,977)**	**(44,674)**
Balance at December 31, 2022	**2,075**	**-**	**5,129**	**7,204**
Net remeasurement of loss allowance	**(171)**	**-**	**(5,129)**	**(5,300)**
Balance at December 31, 2023	**1,904**	**-**	**-**	**1,904**
Residential mortgages				
Balance at January 1, 2022	**314,152**	**6,498**	**-**	**320,650**
Net remeasurement of loss allowance	**19,888**	**(6,498)**	**-**	**13,390**
Balance at December 31, 2022	**334,040**	**-**	**-**	**334,040**
Net remeasurement of loss allowance	**(53,989)**	**-**	**-**	**(53,989)**
Balance at December 31, 2023	**280,051**	**-**	**-**	**280,051**

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

	12-month ECL	*Lifetime ECL (not credit impaired)*	*Lifetime ECL (credit impaired)*	*Total*
Commercial loans and mortgages				
Balance at January 1, 2022	334,632	4,964	417,705	757,301
Net remeasurement of loss allowance	55,516	(4,964)	489,038	539,590
Balance at December 31, 2022	390,148	-	906,743	1,296,891
Net remeasurement of loss allowance	92,280	-	17,737	110,017
Balance at December 31, 2023	482,428	-	924,480	1,406,908
Agricultural loans and mortgages				
Balance at January 1, 2022	84,981	8,413	-	93,394
Net remeasurement of loss allowance	595	(2,277)	-	(1,682)
Balance at December 31, 2022	85,576	6,136	-	91,712
Net remeasurement of loss allowance	(40,378)	(5,305)	-	(45,683)
Balance at December 31, 2023	45,198	831	-	46,029
Lines of credit				
Balance at January 1, 2022	-	-	-	-
Net remeasurement of loss allowance	33,071	-	-	33,071
Balance at December 31, 2022	33,071	-	-	33,071
Net remeasurement of loss allowance	(3,737)	-	-	(3,737)
Balance at December 31, 2023	29,334	-	-	29,334
Total				
Balance at January 1, 2022	772,375	21,037	429,811	1,223,223
Net remeasurement of loss allowance	72,535	(14,901)	482,061	539,695
Balance at December 31, 2022	844,910	6,136	911,872	1,762,918
Net remeasurement of loss allowance	(5,995)	(5,305)	12,608	1,308
Balance at December 31, 2023	838,915	831	924,480	1,764,226

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

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

Market risk

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

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

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

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 $230,664 (2022 - $244,466) over the next 12 months while an immediate and sustained 100 basis point decrease in interest rates would decrease net interest margin by $230,664 (2022 - $244,466) over the next 12 months.

Other types of interest rate risk are basis risk (the risk of loss arising from changes in the relationship of interest rates which have similar but not identical characteristics; 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 consolidated 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.

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

Contractual repricing and maturity

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

(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	20,315	-	-	-	2,644	**22,959**	26,724
Average yield %	*4.92*	-	-	-	-	*4.35*	*2.81*
Investments	5,774	7,000	17,500	9,400	1,604	**41,278**	30,269
Average yield %	*4.92*	*4.69*	*5.18*	*5.13*	-	*4.85*	*3.28*
Member loans receivable	3,530	10,242	21,625	57,247	730	**93,374**	90,626
Average yield %	*8.21*	*6.33*	*6.36*	*5.34*	-	*5.75*	*4.95*
Accounts receivable	-	-	-	-	130	**130**	1,769
	29,619	**17,242**	**39,125**	**66,647**	**5,108**	**157,741**	149,388
Liabilities							
Member deposits	8,629	17,415	35,470	36,906	40,654	**139,074**	132,750
Average yield %	*1.54*	*3.32*	*4.33*	*3.99*	-	*2.68*	*1.85*
Accounts payable	-	-	-	-	220	**220**	168
Membership shares	-	-	-	-	8	**8**	8
	8,629	**17,415**	**35,470**	**36,906**	**40,882**	**139,302**	132,926
Net sensitivity	**20,990**	**(173)**	**3,655**	**29,741**	**(35,774)**	**18,439**	16,462

Liquidity risk

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

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

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

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

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

Liquidity risk *(Continued from previous page)*

The primary liquidity risk policies and procedures include the following:

- Liquidity risk management framework to measure and control liquidity risk exposure;
- Measurement of cashflows;
- Maintain a line of credit and borrowing facility with SaskCentral and Concentra Bank;
- 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	**102,169**	**3,840**	**33,065**	**139,074**
Accounts payable	**220**	**-**	**-**	**220**
Membership shares	**-**	**-**	**8**	**8**
	102,389	**3,840**	**33,073**	**139,302**

As at December 31, 2022:

	< 1 year	**1-2 years**	**> 2 years**	**Total**
Member deposits	87,980	7,910	36,860	132,750
Accounts payable	168	-	-	168
Membership shares	-	-	8	8
	88,148	7,910	36,868	132,926

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	**22,959**	**-**	**-**	**22,959**
Investments	**31,878**	**6,500**	**2,900**	**41,278**
Member loans receivable	**36,127**	**13,893**	**43,354**	**93,374**
Accounts receivable	**130**	**-**	**-**	**130**
	91,094	**20,393**	**46,254**	**157,741**

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

Liquidity risk *(Continued from previous page)*

As at December 31, 2022:

(In thousands)

	< 1 year	1-2 years	> 2 years	Total
Cash and cash equivalents	26,724	-	-	26,724
Investments	24,869	3,000	2,400	30,269
Member loans receivable	35,797	13,647	41,182	90,626
Accounts receivable	1,769	-	-	1,769
	89,159	16,647	43,582	149,388

21. Fair value measurements

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

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

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

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

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

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

Financial assets and financial liabilities measured at fair value

The Credit Union's financial assets and financial liabilities measured at fair value in the consolidated 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	**2,644**	**2,644**	**-**	**-**
SaskCentral shares	**487**	**-**	**-**	**487**
Other equity instruments	**615**	**-**	**595**	**20**
	3,746	**2,644**	**595**	**507**

(In thousands)	*Fair value*	*Level 1*	*Level 2*	*2022 Level 3*
Financial assets				
Cash	6,715	6,715	-	-
SaskCentral shares	911	-	-	911
Other equity instruments	497	-	477	20
	8,123	6,715	477	931

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 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.

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

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 consolidated statement of financial position are as follows:

(in thousands)	***Carrying amount***	***Fair value***	***Level 1***	***Level 2***	***Level 3***
					2023
Financial assets measured at amortized cost					
Cash equivalents	**20,315**	**20,315**	**20,315**	**-**	**-**
Investments	**40,175**	**40,439**	**-**	**40,439**	**-**
Member loans receivable	**93,374**	**91,445**	**-**	**91,445**	**-**
Accounts receivable	**130**	**130**	**-**	**130**	**-**
	153,994	**152,329**	**20,315**	**132,014**	**-**
Financial liabilities measured at amortized cost					
Member deposits	**139,074**	**140,130**	**-**	**140,130**	**-**
Accounts payable	**220**	**220**	**-**	**220**	**-**
Membership shares	**8**	**8**	**-**	**-**	**8**
	139,302	**140,358**	**-**	**140,350**	**8**

(In thousands)	*Carrying amount*	*Fair value*	*Level 1*	*Level 2*	*Level 3*
					2022
Financial assets measured at amortized cost					
Cash equivalents	20,009	20,009	20,009	-	-
Investments	28,861	28,843	-	28,843	-
Member loans receivable	90,626	88,713	-	88,713	-
Accounts receivable	1,769	1,769	-	1,769	-
	141,265	139,334	20,009	119,325	-
Financial liabilities measured at amortized cost					
Member deposits	132,750	132,636	-	132,636	-
Accounts payable	168	168	-	168	-
Membership shares	8	8	-	-	8
	132,926	132,812	-	132,804	8

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.

22. 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 the year ended December 31, 2023 were $60,597 (2022 - $56,833) and recorded as an expense. The annual estimated fee for the year ended December 31, 2024 is $62,750 (2023 - $60,597).

In 2021, the Credit Union entered into a nine year commitment with Celero for the provision of digital banking services called Xpress. The annual estimated fee for the year ended December 31, 2024 is $48,896.

In 2022, the Credit Union entered into a commitment with BankBI for the provision of their financial and banking performance application and regulatory reporting. The annual estimated subscription fee for the year ended December 31, 2024 is $30,930.

The amounts shown in the table below do not necessarily represent future cash requirements since many commitments will expire or terminate without being funded. As at December 31, 2023, the Credit Union had the following other commitments subject to credit risk:

	2023	*2022*
Venture Capital cash calls		
APEX III Investment Fund	**4,033**	5,021
MDL Real Estate Income Fund	**281,733**	399,067
	285,766	404,088

23. Comparative figures

Certain prior year figures have been reclassified to conform with current year's presentation.