



## *Mission*

As a financial co-operative, Unity Credit Union exceeds our members' expectations by identifying their needs and recommending solutions for the benefit of our members, the community and the credit union

## *Vision*

Partnering to achieve success and build a better community

*We'll always be there.*



**UNITY CREDIT UNION LIMITED**  
*Annual General Meeting*  
**TUESDAY, MARCH 26, 2019**

**ORDER OF BUSINESS**

- 6:00 - Registration**
- 6:30 - Blessing & Supper**
- 7:30 - Pre-Meeting Items**
- Introduction of Guests, Directors and Staff
  - Proof of Notice of Meeting and Confirmation of Quorum
  - Affidavit of Completion of Reports
  - Appointment of Chairperson and Secretary
- 7:35 - Annual Meeting Agenda** *(Must be in attendance to win door prizes)*
- Call to Order
  - Adoption of Agenda
  - Adoption of Minutes of Last Meeting held March 27, 2018
  - Business Arising from Minutes
  - President's Message
  - Our Credit Union Story Continued
  - Credit Union Discussion and Analysis
  - Auditor's Report
  - Financial Statement Review
  - Adoption of Reports
  - Appointment of Auditors
  - Nominating Committee Report
  - Destruction of Ballots
  - Question/Discussion Period
  - Service Awards
  - Door Prizes
  - Adjournment



## PROOF OF NOTICE OF MEETING AND CONFIRMATION OF QUORUM

1) **Proof Of Notice:**

CANADA	)	<i>I, Gerald Hauta,</i>
	)	<i>of the Town of Unity,</i>
PROVINCE OF SASKATCHEWAN	)	<i>in the Province of Saskatchewan,</i>
	)	<i>Treasurer of Unity Credit Union Limited</i>

TO WIT:

That I have personal knowledge that the notice of this annual meeting was duly prepared and given to members as required by the Bylaws of the Credit Union.

NOTICE was posted in the Credit Union on March 4, 2019.

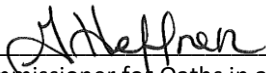
And published in "The Unity-Wilkie Press Herald" on March 1, 2019.

Sworn before me at the Town of Unity

In the Province of Saskatchewan

This 7th day of March 2019

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A Commissioner for Oaths in and for  
Saskatchewan

My Commission expires July 31, 2022

## AFFIDAVIT OF COMPLETION OF REPORTS

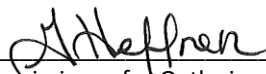
I, Gerald Hauta, Manager of Unity Credit Union Limited make oath and say that:

1) The Annual Financial Reports were completed by March 15, 2019.

The Annual Financial Reports were made available to the membership  
March 15, 2019, which is at least 10 days prior to the annual meeting.

Sworn before me at the Town of  
Unity, in the Province  
of Saskatchewan, this 18th day  
of March, 2019.

)  
)  
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)  
\_\_\_\_\_



A Commissioner for Oaths in and for  
Saskatchewan

My Commission expires July 31, 2022

**MINUTES OF THE 2017 ANNUAL MEETING  
OF UNITY CREDIT UNION LIMITED  
UNITY COMMUNITY CENTRE  
Tuesday, March 27, 2018**

Gerald Hauta welcomed everyone to the supper and meeting at 6:31pm.

Supper was served by Jan Taylor to 148 people.

Gerald Hauta introduced guests, staff and the Board of Directors.

Gerald Hauta presented the Proof of Notice and the Affidavit of Completion of Reports. He confirmed that a quorum was in attendance and the meeting could proceed.

Lois Gilbert and Jay Beasse moved that Colette Lewin be appointed as Chairperson and Dianne Kramer as Secretary. Carried.

Colette Lewin called the meeting to order at 7:30 pm.

Jim Sego and Wanda Keller moved that the agenda be adopted as presented. Carried.

Minutes of the 2016 Annual Meeting held on Tuesday March 28, 2017 were read by the membership.

There were no errors or omissions arising from the minutes.

Kerri Green and Sandy Richards moved that the minutes of the 2016 Annual Meeting held on Tuesday, March 28, 2017 be accepted as presented. Carried.

There was no business arising from the minutes.

Colette Lewin presented the President's Message.

Kennedy Mielke presented Our Credit Union Story.

Gerald Hauta, Rhonda Brandle, Sandra Wagner, Michael Soloski and Brayden Schultz presented the Credit Union Discussion and Analysis Report.

Richard Colbow and Joan Haughian moved that the President's Message and the Credit Union Discussion and Analysis Report be accepted as presented. Carried.

Curt Wagner of MNP presented the 2017 Auditor's Report and highlights of the Financial Statements. He congratulated Unity Credit Union on a very successful year.



There were no questions arising from the statements.

Sonya Willy and Curtis Sieben moved that the Auditor's Report and Financial Statements be accepted as presented. Carried.

Michael Soloski, on behalf of the Board of Directors, recommended that MNP be appointed as Auditors for 2018.

Murray Haughian and Tom Stephenson moved that the accounting firm of MNP be appointed as the auditors for Unity Credit Union Limited for 2018. Carried.

Anita Parker presented the Nominating Committee Report. Colette Lewin, Keith Wilson and Lois Gilbert had their terms expire in 2018. Colette, Keith and Lois let their names stand along with Sharon Del Frari. An election was held. Anita reported that Colette Lewin, Keith Wilson and Sharon Del Frari were declared elected.

Michelle Pilat and Aaron Mielke moved that the Nominating Committee Report be accepted as presented and the ballots be destroyed. Carried.

There was one question asking what MNP stood for. Colette replied Meyers Norris Penny.

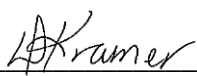
Gerald Hauta presented the following employees with long term service awards:

Janelle Riou, Raj Volk, Megan Schweitzer, Curtis Sieben - 5 years  
Gaylene Heffner, Michelle Pilat, Sara Schurman, Shannon Mellquist - 10 years  
Michelle Aldred, Wanda Keller – 15 years  
Doreen Bonogofski - 20 years  
Lois Gilbert, Board Member – 3 years  
Jay Beasse, Past Board Member – awarded the Order of Merit

Deon Sieben, Andrea Eddingfield and Sara Schurman awarded door prizes as follows:

- Flower arrangement won by: Evelyn Lang
- Plant won by: Art Sieben
- Books and Gift Card won by: Brian Zanyk
- Himalayan Salt Lamp won by: Dale Brownlee
- Gift Basket won by: Jessica Schultz
- \$50 Gift Certificates won by: Peter Keller, Linda Kwiatkowski, Jim Sego

Gilles Colbert adjourned the meeting at 8:40 p.m.

  
Secretary



## *A message from* **Our President**

*Colette Lewin, President, Board of Directors*

# W

elcome to our 77<sup>th</sup> Annual General Meeting. Through our strategic planning process, the board determined that in 2018, we

wanted to plan, execute and thrive by doing different well. To accomplish this, the board developed five Strategic Result Areas. These will be reported in more detail throughout the report, but I would like to outline some key achievements.

Since we are a financial institution, we should first confirm that we had another very successful year. We exceeded our growth expectations due in part to support from long time members, continued growth from past clients of the CIBC, sales of farmland resulting in cash wealth and reaping the rewards of the relationships we have built over the years. We are very pleased that past clients of the CIBC have chosen to do business with us and support our direction in regards to community involvement and donations. We generated an operating surplus that allowed us to be able to pay out patronage as we have for many years. This year we increased the payout to \$500,000. This will be paid as we have in the past as well as a continued refund of service charges. It is easier to continue to collect service charges and reimburse them if we are able, than to eliminate and have to re-instate them if needed in the future.

We began the transition from our long time card provider to a new service provider. This was a system change but allowed us to put our theme into action. We chose to move from offering Mastercard to Visa. By now you will know that part of this change included the termination of Global Payment Cards, a product that was unique in the industry and liked by many of our members. As a credit union, we saw its effectiveness in promoting wise money management. However, the new service provider was not willing to offer it and our past provider

would not allow us to only provide that product, so we have to move forward and work with you to find a new alternative.

In 2018, we decided that we needed to reach a new audience—an audience that was not attending our annual meeting. We introduced a new concept and called it Laugh & Learn with UCU. We brought in a comedian and made the evening more enticing for a younger demographic. It was a very successful evening; so much so that we are going to do it again.

As our system continues to change, we thought we should work closer with our neighbours. The intent is not to merge, but to look at things from a broader and wiser perspective. We chose Biggar due to a similarity in size and offerings. Technology is the fastest changing area and so in 2018 that was our focus. We began to work together to implement new ideas and offerings. Working together allowed us to learn from each other and get things rolled out smoother. We think it is important to build relationships, including with other credit unions, and so we are going to continue down this path.

The renovations have finally started! After many years of considering, in the fall of 2018, we began our long anticipated renovation. Who would have thought that beginning a renovation in the fall and winter in Saskatchewan would have challenges? We did understand this, but we did not want to wait until spring to begin either. So we took the plunge and as you have seen, we have begun to transform our current structure. We are looking forward to the newly created building as it represents a commitment to our community, which has long been a source of pride for our organization.

In the midst of the confusion created by the renovation we tried something else, to do different

well. We decided to give our staff a real opportunity to try something new. Spurred by a pending maternity leave, we reviewed our complete organizational chart and offered the opportunity for staff to take on new responsibilities and learn through hands on experiences, with the security of being able to return to what they knew. We knew that this would create its own chaos, in addition to the renovation, but we also believed in the great staff we have and wanted to expand their horizons. In the end, over one third of our staff took on new and expanded roles for an 18-month period. With the support of members throughout the process, we are pleased to report that it has not been without challenges, but the rewards have far outweighed those challenges.

We went into the year with a determination to do different well. I think we accomplished that on many fronts. Without the hard work of the staff, our success would be less. We thank them for their dedication. It is no secret that we rely on the members who live and work in our communities. Without them, we would have no reason to be. Thank you. With your continued support of your locally owned and operated credit union, "We'll always be there."



Colette Lewin  
President, Board of Directors

# Our Board of Directors



**Colette Lewin**  
President



**Michael Soloski**  
Vice President



**Rhonda Brandle**



**Sharon Del Frari**



**Lois Gilbert**



**Christine Lang**



**Anita Parker**



**Sandra Wagner**



**Keith Wilson**

## Junior Board Members

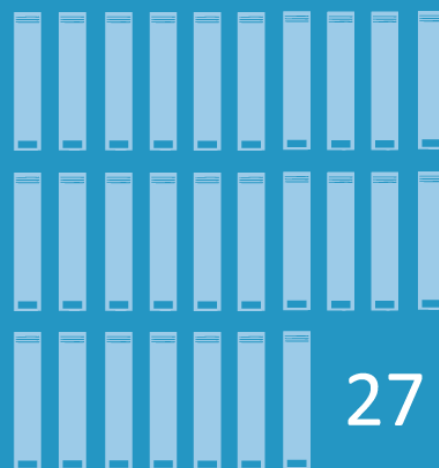


**Tyrell Kuhn**



**Brayden Schultz**

## CUDA WORKSHOPS ATTENDED BY BOARD OF DIRECTORS



## LEVEL A CUDA DIRECTORS



## LEVEL B CUDA DIRECTORS



## LEVEL C CUDA DIRECTORS



## ACCREDITED CANADIAN CREDIT UNION DIRECTORS





The governance of Unity Credit Union is anchored in the co-operative principle of democratic member control. Director terms are three years in length. Our policy states that directors are eligible to serve four consecutive terms or twelve years but then are required to leave the board for at least one year. This ensures that new people are allowed to participate and bring forward new ideas.

Serving on the board is a commitment and requires dedication. For this reason, obtaining candidates for vacancies can be challenging. The succession plan for directors outlines that the nominating committee's obligation is to seek a candidate for each vacancy and that they are not obligated to obtain extra candidates to hold an election. Members are encouraged to bring forward names of candidates if they desire an election.

Every year three director terms expire. Directors whose terms expired in 2018 were Colette Lewin, Keith Wilson and Lois Gilbert. All three directors whose terms were expiring were eligible for re-election and agreed to let their name stand. Sharon Del Frari also agreed to let her name stand and so an election was held. When the ballots were counted, incumbents Colette Lewin, Keith Wilson and Sharon Del Frari were declared elected. During the year, Jeff Bridgeman resigned his position due to a change in employment, which took him away from our community. The board appointed Lois Gilbert as a past director to fill this vacancy until this annual meeting.

We continued our Junior Board Member Program to encourage young people to take an active part in our credit union. The ultimate goal of the program is to help these young people learn more about the credit union and the services we offer and to hopefully expand their financial knowledge. Brayden Schultz continued as our Grade 12 representative and Tyrell Kuhn joined as the representative from grade 11. Junior board members participate in board meetings but have no voting rights.

### ***Mandate and Responsibilities***

The board is responsible for strategic oversight, establishing direction and supervision of management of the credit union. In acting in the best interests of the credit union and its members,

the board adheres to the standards set out in *The Credit Union Act 1998*, the *Standards of Sound Business Practice* and other applicable legislation. The board is not involved in the day-to-day operations of the credit union. They do not approve loans or see members' personal information like deposits. These functions are handled by management and staff.

Responsibilities of the board of directors include:

- Determining strategic direction for the credit union
- Establishing and maintaining prudent policies for the operation of the credit union
- Directing the management of the business affairs of the credit union
- Exercising the care, diligence and skill of a prudent person in directing the credit union's affairs
- Exercising the powers of the credit union directly, or indirectly, through employees
- Acting honestly and in good faith with a view to the best interests of the credit union at the exclusion of other interests.

### ***Committees***

The responsibilities of the board of a financial services organization encompass a comprehensive list of duties under regulatory oversight. Unity Credit Union maintains a number of committees comprised of directors. The establishment of committees enables a clear focus on specific areas of activity vital to the effective operation of our credit union. The board determines the skills and abilities needed on each committee and chooses its members accordingly. The board also determines each committee's terms of reference, guidelines and requirements. The President serves as an ex-officio of all committees.

- **Audit and Risk Committee**

The Audit and Risk Committee oversees the financial reporting process, reviews financial statements, liaises with internal and external auditors and regulators and reviews internal control procedures. The committee meets with the Risk & Compliance Officer to ensure the credit union remains compliant with the Proceeds of Crime (Money Laundering) and Terrorist Financing Act, Market Code including the Personal Information Protection and Electronic

Documents Act, Foreign Accounting Tax Compliance Act, Canadian Anti-Spam Law, Multi Material Recycling Program and Common Reporting Standards. In addition, the Committee oversees the identification and management of risks that affect Unity Credit Union. The committee consists of four directors; however, the entire board is invited to attend meetings of this committee.

- **Policy Committee**

The Policy Committee reviews the existing policies of Unity Credit Union, for the purpose of recommending any changes, deletions and/or additions to the board of directors, for their approval. The Committee consists of four directors.

- **Nominating Committee**

The Nominating Committee oversees the nomination and election processes. The Committee consists of those directors who are not candidates for re-election.

- **Conduct Review Committee**

The Conduct Review Committee ensures that the credit union's directors and employees act with integrity and objectivity by having in place policies, processes and practices that protect people and the organization from claims and the perception of unfair benefit or conflict of interest. The Committee consists of three directors.

- **Executive Committee**

The Executive Committee acts in the capacity of, and on behalf of the board of directors between regular or special board meetings on all board matters except those, which the board may not delegate due to legislative requirements. The Committee consists of three directors and the General Manager.

- **Personnel Committee**

The Personnel Committee works with management to establish and maintain credit union personnel policies and to develop recommendations on the credit union's human resource management for board consideration. The Committee consists of three directors.

- **Building Committee**

The Building Committee was created to oversee the discussions and set the direction for the building renovation. In 2018, the committee contracted the services of New Ground as Construction managers for the project. The Committee consists of three directors.

Being a director continues to be an interesting mix of challenges, rewards and education. We are pleased that those who represent the members continue to be very dedicated and take their responsibilities seriously. Directors attend regular monthly meetings throughout the year. Regular in-camera meetings are held without management personnel in attendance. All directors fulfilled their meeting attendance requirements as detailed in the bylaws. In the highly regulated and ever changing financial environment, it is imperative that directors remain knowledgeable and informed. In this regard, directors are encouraged to attend system meetings, meetings with the Deposit Guarantee Corporation and training sessions. Directors took advantage of all these development and networking opportunities. Unity Credit Union hosted a weekend director training session and invited representatives from other credit unions to join. As well directors attended other training sessions both in person and through webinars. The webinars are provided via the Internet allowing directors to spend less time on the road and in training and more time at their businesses and with their families.

### **Compensation**

Directors of Unity Credit Union receive remuneration for items related to credit union business or training. Allowable reimbursement expenses are for meetings, travel, meals, accommodations and mileage. In addition, Unity Credit Union pays insurance premiums on behalf of the directors. In 2018, remuneration paid was \$59,330, which was more than the year before due to the director training weekend and attendance at several other sessions. Insurance premiums paid on behalf of directors were about \$1,300.

# Our Management & Staff

## Management Team



Gerald Hauta



Andrea Eddingfield



Lynn Maze



Josh Noble



Christy Walker

For 2018, our Management Team consisted of five positions:

- General Manager – Gerald Hauta – responsible for the oversight of all areas of the operation. Gerald has 35 years of credit union experience gained from various positions, credit unions and communities.
- Temporary Manager of Member Services – Andrea Eddingfield – responsible for member service including deposits, withdrawals, card services, fraud management, cash management, clearings and statements. Andrea has over 13 years of experience with Unity Credit Union and has held several positions.
- Temporary Project Manager – Lynn Maze – responsible for the oversight and implementation of various projects throughout the year. Lynn has over 39 years of experience in credit unions and has held several different positions.
- Manager of Innovation – Josh Noble – responsible

for seeking novel ways to provide value to members through innovation, collaboration, proactive thinking, education, and finding solutions. Josh worked in the academic world prior to joining the credit union but has gained four years of credit union experience with our credit union and through several university courses on co-operatives.

- Manager of Lending Services – Christy Walker – responsible for all lending and collection activities. Christy has over 13 years of credit union experience as well as experience in the chartered banks. She has held various positions through her career.

The management team is tasked with running the day-to-day operations of Unity Credit Union within the strategic direction established by the board. The department managers report to the General Manager who in turn reports to the Board of Directors.

## Financial Services Department



Trina Lascelle-Lefebvre



Scott Smith



Sonya Willy



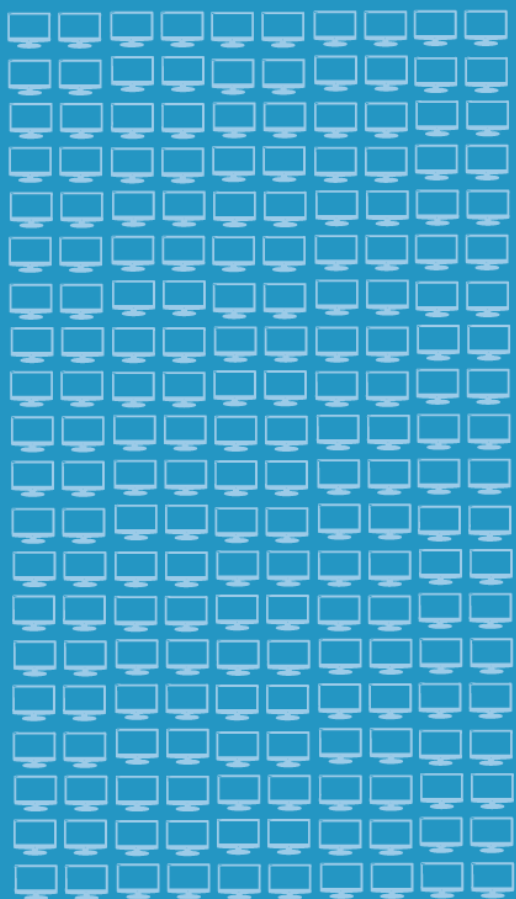
Jennifer Wilson



UNIVERSITY COURSES  
COMPLETED BY EMPLOYEES



HOURS SPENT BY STAFF  
COMPLETING COMPLIANCE  
AND SECURITY E-COURSES



200+

NUMBER OF STAFF CERTIFIED IN  
FIRST AID/CPR



## Lending Department



Kerri Green



Gaylene Heffner



Michelle Pilat



Carissa Ralston



Janelle Riou



Deon Sieben

## Member Services Department



Debra Cairns



Maria Carino



Amy Close



Wanda Keller



Rachel Loran



Shimon McWatters



Denise Purcell



Lisa Reddekopp



Sara Schurman



## Support Department



Michelle Aldred



Shauna Hammer



Melanie Kist



Dianne Kramer



Shannon Mellquist  
(maternity leave)



Megan Schweitzer



Curtis Sieben



Vanessa Spendelow



Rajbir Volk

## Credential Financial Strategies Inc.



Aaron Mielke

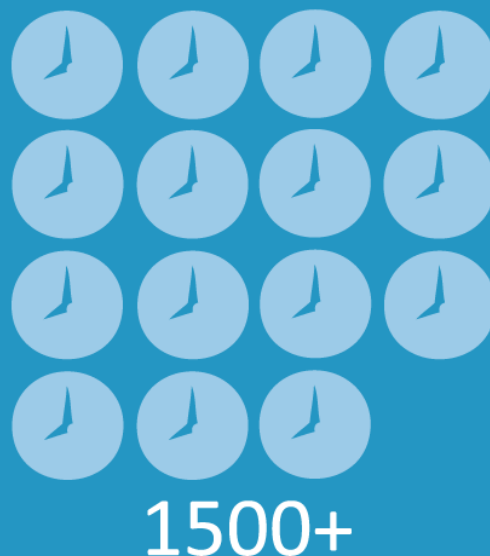


Crystal O'Brian

## WORKSHOPS AND SEMINARS COMPLETED BY EMPLOYEES



## HOURS VOLUNTEERED BY EMPLOYEES



Through our staff, our goal is to create and develop delighted, full relationship, profitable, lifetime members. In order to do this, staff must serve members with courtesy, competency and concern exhibiting a Duty of Care for members' financial well-being. As times change, continuous learning is important. Through the years, training has undergone change. In the past, employees travelled to attend training sessions incurring costs of travel, hotels and meals. These opportunities still exist but are supplemented with webinars that are delivered via computers. As with directors, participating in these training sessions saves all the travel costs while increasing productivity in the office. Staff took advantage of webinars, in-house presentations, self-study classes, training sessions, conferences and networking opportunities to broaden their knowledge, develop support networks and gain new experiences to serve you better. With the new methods of training and the required annual training, all staff were enrolled in some form of training in 2018.

In 2018, the credit union took a bold step forward in training. Fueled by 2018's business plan theme—plan, execute and thrive by doing different well—Unity Credit Union committed to a People Strategy to specifically address staff development on a meaningful scale.

An upcoming maternity leave provided a sense of urgency for action. Rather than recruiting to fill just the maternity leave, the entire organizational structure was scrutinized considering all tasks and responsibilities. Tasks being managed off the corner of desks were identified. Imminent project work requiring concentrated effort was acknowledged. A temporary new visionary organizational structure was developed, creating multiple career opportunities rather than just the one created by the maternity leave.

Staff were introduced to the People Strategy and invited to contemplate any position in the temporary organizational structure and make application. Part time staff were invited to work full time for a trial period without needing to commit permanently. As many staff as possible were accommodated in their request to try new and different things.

Through the People Strategy the following were achieved:

- Shared and increased organizational knowledge
- Staff were given opportunities for challenge, growth and learning to increase employee engagement and job satisfaction
- Opportunity to try something different while maintaining a safety net
- Concerns from staff wanting opportunities, training, trust, inner co-operation were addressed
- Tomorrow's leaders started preparing today
- Internal candidates were given meaningful experiences to compete for future employment opportunities, both internally and in the Credit Union System
- Tangible actions were taken to address the Business Plan, Succession Plan and Enterprise Risk Management

Accomplishments of the People Strategy during the 18 month term (April 2018 to September 2019) included:

- 13 employees assumed different roles requiring new learning and growth. This represented more than 1/3 of the total staff complement.
- 3 temporary managers gained hands-on experience in direct staff supervision.
- 4 employees transitioned from part time to full time status. One other staff transitioned from part time to nearly full time.
- 4 entry level positions were hired from the market - 1 permanent, 2 temporary, 1 summer student.
- Every employee took on responsibilities for mentoring, backfilling, teaching and supporting each other.
- Staff proudly talked about the Strategy to other credit unions at meetings and functions.

We realize that this strategy impacted members. We would like to thank members for working with us through this restructure. We appreciate your patience and co-operation in giving our employees a chance to learn and gain more knowledge of our credit union and the credit union system in general.

# Our Community



## FACEBOOK LIKES



690

[www.facebook.com/UnityCU](http://www.facebook.com/UnityCU)

## TWITTER FOLLOWERS



214

[www.twitter.com/UnitySkCU](http://www.twitter.com/UnitySkCU)

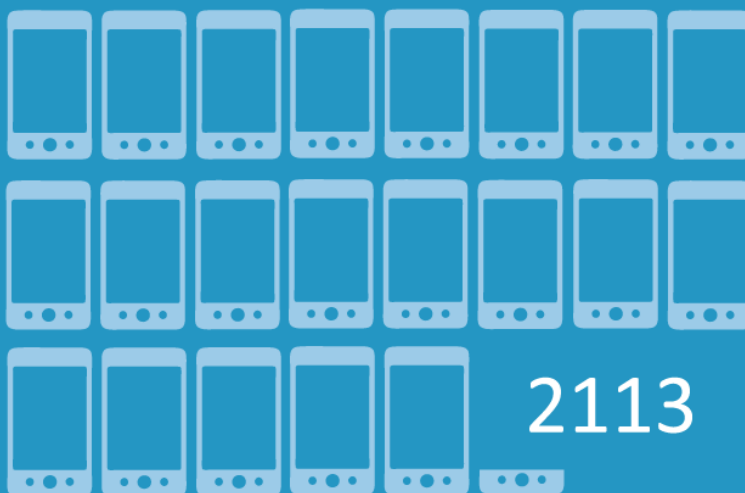
## INSTAGRAM FOLLOWERS



191

[www.instagram.com/UnityCU](http://www.instagram.com/UnityCU)

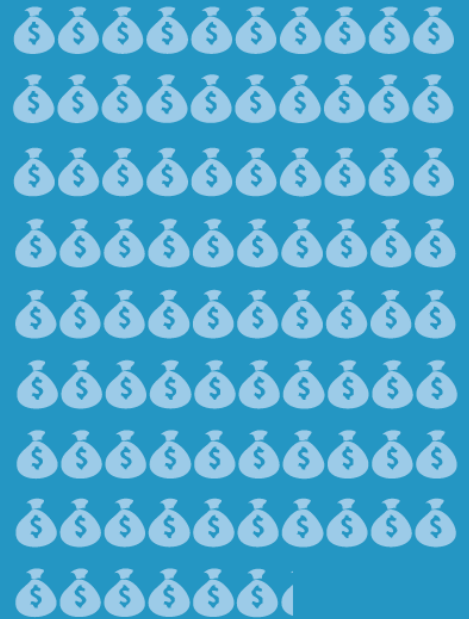
## MOBILE APP DOWNLOADS





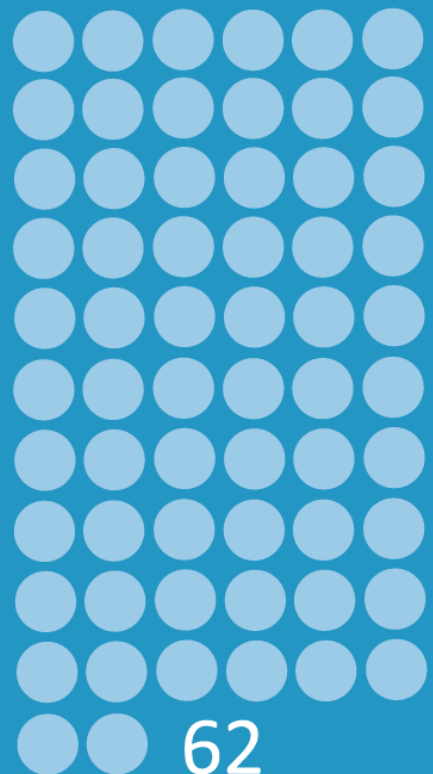


## DONATIONS & SPONSORSHIPS - DOLLAR VALUE



\$86,275

## DONATIONS & SPONSORSHIPS - NUMBER OF EVENTS



62



# Our Guiding Principles

## Credit Union Market Code

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

- Complaint handling by outlining the process for managing complaints related to our product lines and/or our service.
- Fair sales by outlining the roles and relationship of staff to all members in accordance with the financial services agreement.
- Financial planning by outlining the process to advise members of the risks and benefits associated with financial planning services.
- Privacy and how the interests of those who do business with the credit union will be protected.
- Privacy and the practices to ensure all member information is kept confidential and used only for the purpose for which it was gathered.
- Professional standards to preserve a positive image of Unity Credit Union among members and communities.
- Capital management to ensure our capital structure aligns with our risk philosophy.
- Financial reporting to adhere to business and industry standards.
- Governance practices to adhere to the intent and stipulation of our corporate bylaws, which are approved by our membership.
- Risk management to ensure all risks are measured and managed in an acceptable fashion.

## Co-operative Principles

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

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

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

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

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

## SEVEN COOPERATIVE PRINCIPLES

VOLUNTARY  
**OPEN**  
MEMBERSHIP

DEMOCRATIC  
MEMBER CONTROL

MEMBER  
ECONOMIC  
PARTICIPATION

AUTONOMY & INDEPENDENCE

EDUCATION



TRAINING AND  
INFORMATION

COOPERATION



AMONG COOPERATIVES

CONCERN  
FOR THE  
COMMUNITY

### **Member Economic Participation**

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

### **Autonomy and Independence**

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

### **Education, Training and Information**

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

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

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

### **Concern for Community**

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

# Our Business Strategy

This discussion and analysis report is a narrative explanation from the board and management's perspective of how the credit union has performed financially as well as its financial condition and future outlook. This type of narrative is currently provided by all publicly traded companies. The Credit Union Deposit Guarantee Corporation (CUDGC) requires credit unions to have appropriate disclosure of information processes in

place, supporting transparency to members and other stakeholders in regards to the credit union's operations, risks and capital adequacy. This narrative is an important component of this disclosure of information process. The following discussion and analysis on the operations and financial position of Unity Credit Union at December 31, 2018 should be read in conjunction with the Financial Statements and accompanying notes.

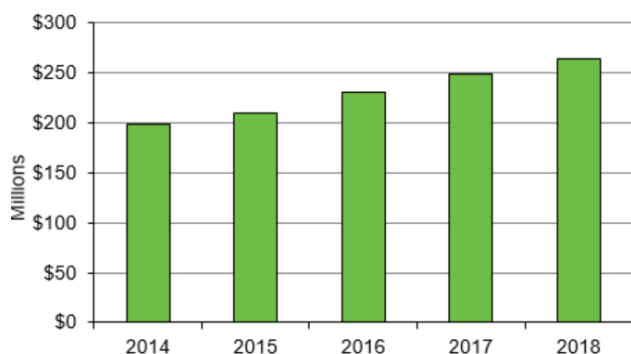
## Strategy

The Vision of Unity Credit Union remains "Partnering to achieve success and build a better community". In order to achieve this vision, our goal for the year was to plan, execute and thrive by doing different well. This was brought to fruition through the key strategic objectives of Growth and Member Service, Education, Innovation, Planning and Staff Development. Action plans were developed under each objective to achieve the goals.

### Growth and Member Service

The planning process encompasses the development of the strategic plan, the business plan and the operating and long-term budgets. Through these plans, the board determined key financial targets. Following is a summary of the credit union's financial performance results in relation to the targets:

#### Asset Growth

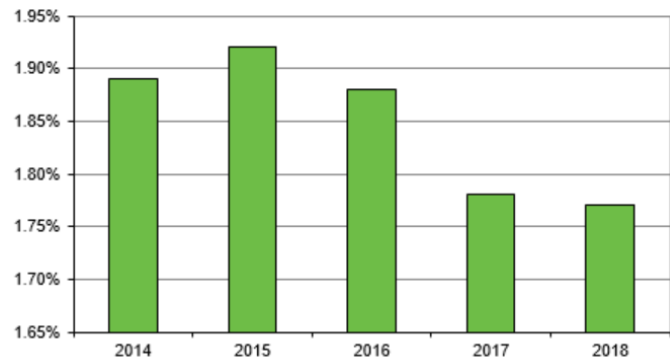


Asset growth is not possible without growth in member deposits. Member deposits provide the credit union with funds to lend to members or funds to invest, thereby increasing our assets. In 2018, we exceeded our growth expectations due in part to support from long time members, continued growth from past clients of the CIBC, sales of farm land resulting in cash wealth and reaping the rewards of the relationships we have built over the years. We are very pleased that past clients of the CIBC have chosen to do business with us and support our direction in regards to community involvement and donations. We wish to thank all our members, both old and new, for their continued support. Assets increased over \$14.7 million or 5.94% to end the year at \$263,455,191.

Most businesses see growth as a positive. We are no exception. Over the last five years, we have grown from \$198 million to \$263, an increase of over \$65 million or more than 33%. Capital remains one of the measures of financial stability; therefore, because of our significant growth we have had to focus on building capital to keep pace with the increase in assets. This focus affects the amount of patronage we are able to pay. We have continued to pay patronage as we feel it is one of our differentiators. In 2018, we once again made an allocation for patronage based on the amount of

loan and deposit business as well as the amount of service charges paid.

**Operating Costs**



As a financial co-operative, the credit union considers financial success in two ways. The first way is obviously being able to generate a bottom line. The second is being a strong corporate citizen contributing to the communities we serve. This dual approach means balancing the generation of an operating surplus with giving back to the community. Giving back to the community does not happen if an operating surplus is not and cannot be generated. Operating surpluses are also the only way we can build capital to ensure stability and be able to provide new services going forward so it has to remain a prime focus. In trying to meet both these measures of success, we also have to remain competitive with other financial institutions on deposit and loan rates.

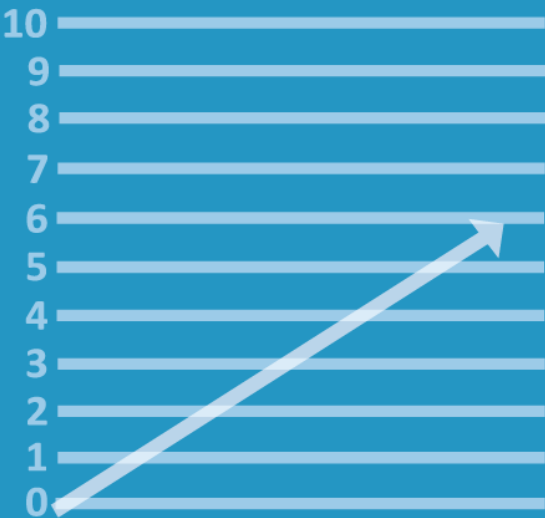
The credit union generated revenue through interest margin and collection of service charges and commissions. Margin was still the largest generator of revenue as we have tried to keep fees and charges minimal in comparison to our competitors, especially the chartered banks. In 2018, rates remained relatively low although prime rate did increase due to increases in the Bank of Canada rate. This combined with larger loan and investment portfolios resulted in more interest revenue. In addition, we received large dividend payouts from Concentra Bank due to changes in taxation with their change from a co-operative to a bank. Our venture capital investments also did very well in 2018, which improved our bottom line and margin. We received a dividend payment from NorthWest Terminal, as did many of our members. A final factor contributing to a strong operating surplus was income generated

ASSETS



\$263,455,191

ASSET GROWTH



5.94%

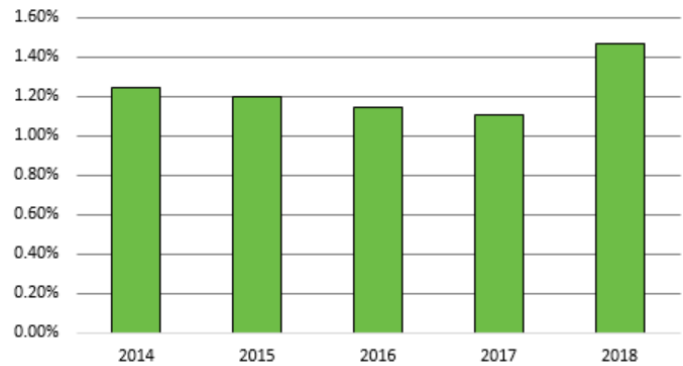
OPERATING SURPLUS



through our CFS office. They had a very successful year in 2018.

On the other side of our income statement, we work to manage our operating costs. Since the renovation started but did not progress as far as we showed in budget, our depreciation expenses were less than we had anticipated helping to boost our margin to 2.87% of assets. Our operating expenses were 1.77%. Operating expenses came under budget largely due to lower depreciation costs and were \$302,597 more than 2017. This left an operating surplus of \$2,108,318, which can be used for the good of the credit union and the communities it supports. In comparison to the Saskatchewan credit union system, we continued to generate much less non-interest revenue. However, since we are a single branch organization, our costs are also lower. Operating expenses included personnel, member security, organizational, occupancy and general business expenses.

**Return on Assets before Allocations**



Return on assets before allocations is a measure of the funds generated from day-to-day operations. It does not include provision expenses or allocations for patronage or taxes. It also does not include the unrealized gains or losses caused by fluctuations in market values. Our budgeted expectation was 0.99%. We achieved 1.49% due to an improved margin boosted by the additional investment returns, stable non-interest revenue and managing expenses where possible.

Due to the operating surplus and our capital position, we increased the patronage allocation from \$420,000 in 2017 to \$500,000 in 2018 to reward members for their support. Of this allocation, \$350,000 will be paid out as has been done historically. A rebate will be paid on loan interest



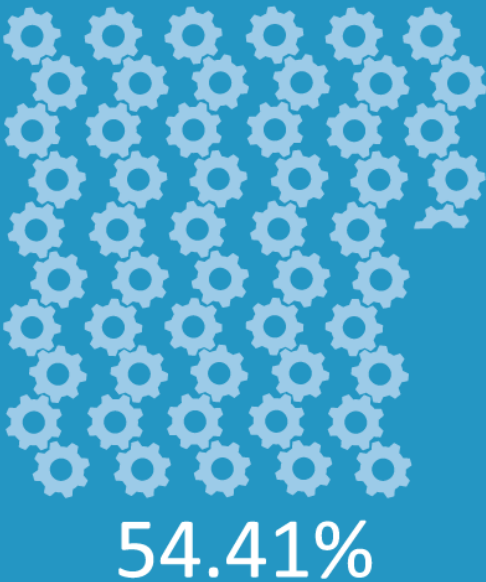
**RETURN ON ASSETS**



**2018 PATRONAGE ALLOCATION**



**EFFICIENCY RATIO**

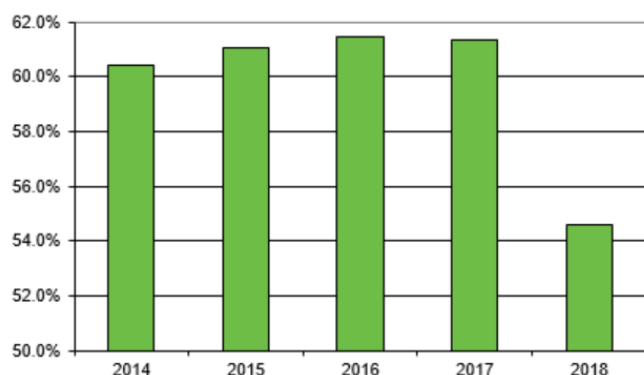




and a bonus will be paid on deposits. In order to continue to reach out to a new demographic and new members, and help them learn about the benefits of membership, \$150,000 will be paid as a rebate of service charges. If you paid service charges on your account in 2018, you will receive a rebate. When we introduced service charges, we stated that if we returned to financial strength of the past we would see what we could do. We want to stay strong so have chosen rather than cancelling charges to pay them back. As we advised last year at the AGM, in 2018 we eliminated the charge for e-transfers as this offering continues to gain popularity. We wish to emphasize that membership has benefits you will not receive from other financial institutions. The only downside to this year's payout is that late in 2018 we were advised the administration for the patronage process would change so we are anticipating a delay in the actual payout as we work through the new processes. We apologize for this but will advise when payments are ready.

We are now paying more in taxes and will continue to pay more in taxes. This is due to two reasons. Due to our growth, we were able to generate a larger operating surplus. The second reason, and the one beyond our control, is changes made in the federal and provincial tax regimes for credit unions. An increase in taxes reduces our ability to generate an operating surplus, build capital or return funds to members and communities.

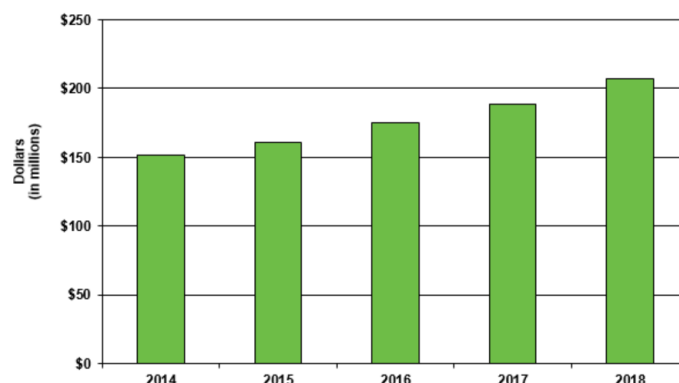
### **Efficiency Ratio**



Efficiency is a ratio that measures the percentage of income that is spent on the operations of the organization. This ratio is an indicator of how efficiently the organization uses its resources. The lower the ratio, the more efficient the operation. A

ratio above 85% is generally considered undesirable. In 2017, our organization had an efficiency ratio of 61.34%. In 2018, this improved to 54.41%. Being a single branch organization helps to keep our efficiency ratio at a lower level than multi-branch organizations. An improved margin, as stated already, and managed operating expenses also helped to improve our efficiency ratio. The final factor was the renovation. Since it did not progress as far as we had anticipated in 2018, we did not have any depreciation expenses related to the project which would have increased our operating expenses. We anticipate ROA and efficiency will be affected in 2019 once the renovation completes and depreciation expenses increase but we anticipated these and calculated the effects as best we could before we approved the project.

### **Total Performing Loans**



Interest margin is the difference between interest earned on loans and interest paid on deposits. This source of revenue remained our largest source of revenue allowing us to pay our expenses. For this reason, our loan target has changed from growth to portfolio stability. Management has been directed to maintain the performing loan portfolio between 73% and 77% of assets. Being lent out in this range allows us to generate revenue, which leads to operating surplus, which in turn is used to build the capital required to meet our capital plan. Loans ended the year representing 78.51% of assets.

As assets grow, we need to find ways to grow our loan portfolio to keep pace. We budgeted for 6.91% loan growth and attained 9.46%. The growth came from a variety of sources including demand from our members, syndicating loans with other credit unions and funding leases through Calidon Equipment Leasing.

## LOAN GROWTH



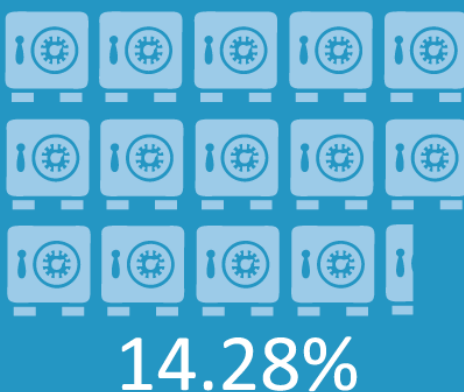
## DELINQUENCY OVER 90 DAYS



## CAPITAL - LEVERAGE TEST



## RISK WEIGHTED CAPITAL



In 2018, one of our major projects was to be compliant with IFRS 9 rules. The greatest effect from the new accounting rules was related to loans and accounting for allowances. The new rules utilize a forward-looking expected credit loss model. Since we had to be compliant going forward as well as make a comparison to prior years, we made adjustments against our retained earnings for the past and against our current earnings for 2018. In the end, our allowance for expected credit losses totaled \$733,232; \$557,903 that was applied against past years' retained earnings and \$175,329 against 2018's operating surplus. This was in addition to our specific allowance of \$577,158. We were pleased to be able to absorb these changes without negatively effecting the financial performance of the credit union. The extra investment returns received in 2018 certainly helped to be able to manage these new changes.

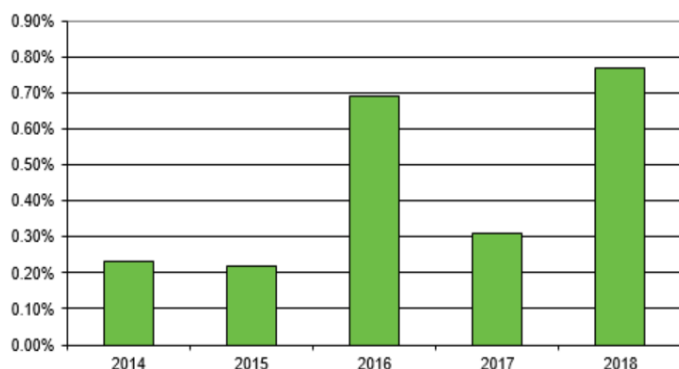
One of the other changes in reporting in 2018 was the requirement to report on mortgages and the effect of changes in property values. In 2018, the credit union held \$47.4 million in conventional residential mortgages and \$18.4 million in insured mortgages. Insured mortgages are those, which have a Canada Mortgage and Housing Corporation (CMHC) guarantee. Backed by the guarantee, these mortgages represent less risk to the credit union than conventional mortgages. The amortization periods for mortgages are as follows:

Residential mortgages by amortization period	Insured residential mortgages	Uninsured residential mortgages
5 years or less	\$64,081	\$1,124,435
More than 5 years and up to 10 years	\$314,054	\$3,876,689
More than 10 years and up to 15 years	\$322,336	\$6,001,756
More than 15 years and up to 20 years	\$3,582,130	\$10,944,592
More than 20 years	\$14,182,222	\$25,487,044

The credit union has determined that a non-conforming mortgage is a mortgage on residential property securing a loan or non-amortizing Home Equity Line of Credit that is approved with three exceptions from requirements outlined in policy and procedures. In 2018, we determined that we did not hold any non-conforming mortgages. Obviously with three exceptions to policy or procedures these types of mortgages would pose more risk to the credit union and ultimately the operating surplus so need to be monitored.

The other effect of mortgages that needs to be monitored is the value of properties in relation to the mortgages on the properties. In the 80's, the agricultural sector experienced a rapid decline in land values compared to outstanding mortgage values. In major urban centres, the same thing can and has happened in recent years, therefore new monitoring and risk evaluation processes have been implemented. In our capital adequacy calculations, we now have to give consideration to the effect of declining values against new and existing mortgages. We have added extra capital requirements for residential mortgages and property devaluations. We do not feel our values will drop as much as in major centres. We have several capital requirements related to loans. Despite these factors, we are required to comply and so our calculation requires us to hold an extra \$117,866 in capital for such circumstances. This is subject to change on a quarterly basis.

### ***Delinquency***



We desire loan growth and portfolio stability, but we also want quality within the loan portfolio. Without quality, the risk associated with lending increases. Risk can lead to losses, which affect our operating surplus and ultimately our ability to build capital. A

sign of the quality of the portfolio is low delinquency. Delinquency over 90 days ended the year at 0.77%. This was more than double last year's result but is still relatively low considering the length of the economic slowdown. We continued to see more bankruptcies and requests to change payment structures or rework debt because members were feeling the effects of the slowdown. That being said, we thank our members for their continued commitment to making arrangements and payments through challenging times.

### ***Capital***

One of the primary measures of financial strength of any financial institution is its capital position. Worldwide, all financial institutions are being tasked with building capital to ensure that downturns in the economy can be withstood. Credit unions operate in a highly regulated environment, where the Credit Union Deposit Guarantee Corporation (CUDGC) sets regulatory guidelines to which credit unions must adhere. In order to assess capital adequacy, CUDGC is following the standards adopted by other financial institution regulators.

The Board of Directors and Management believe in maintaining a strong capital position. The credit union manages capital in accordance with its capital management plan and Board approved capital policies. The capital plan is developed in accordance with the regulatory capital framework and is regularly reviewed and approved by the Board of Directors. The credit union's capital plan is directly related to its service delivery strategies and risk philosophy. Traditionally the credit union has held a moderate appetite for risk. It has focused on traditional services, managed with a low level of risk in its loan and investment portfolio. Liquidity has been maintained within a comfortable range. This has proven to be an effective strategy through the years. Going forward, we will have more flexibility in our liquidity management, but will continue to take a conservative approach.

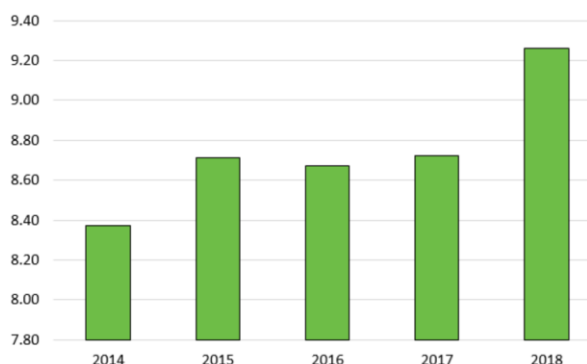
The goal of capital management is to achieve and exceed regulatory minimums, maintain an optimal level of capital, meet operational requirements, absorb unexpected losses, implement long-term strategic plans and signal financial strength. Too little capital restricts the credit union's ability to grow and generate returns. It also increases the risk



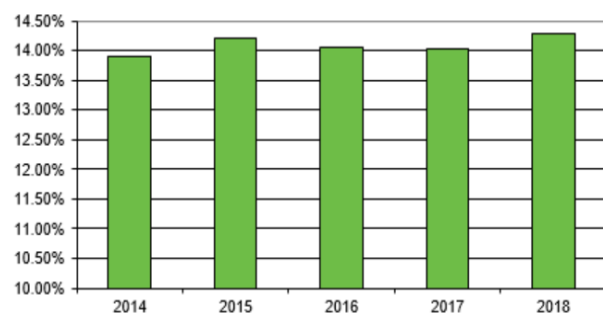
of having insufficient funds to cushion against unexpected losses or liquidity needs. Too much capital and it could be considered the credit union is not generating sufficient return on its capital.

Unity Credit Union builds capital through retained earnings, which are found on our balance sheet in Members' Equity. Capital adequacy uses two measures. The first, referred to as the leverage test, is a calculation of eligible capital to total leverage assets. The standard is 5% and we held 9.26% at year-end. The second measure is the risk-based test, which compares eligible capital to risk weighted assets. The standard is 10.50% and we held 14.28%. Our results remained strong and were considered a success based on the significant growth we have experienced over the last number of years.

### ***Eligible Capital***



### ***Risk Weighted Capital***



### ***Member Service***

Unity Credit Union continued to be an autonomous credit union owned by our members. Under credit union legislation, Unity Credit Union is able to provide financial services to members and non-members. Unity Credit Union promotes membership, and as such, has limited non-member accounts. At the end of 2018, we served 4559 members and 9 non-members. The number of

members decreased by 46. The number of members decreased due to members passing and doing a cleanup of duplicate, inactive and unsatisfactorily operated accounts. We clean up these accounts because some of our costs are based on the number of accounts we have and therefore, these types of accounts cost us money without generating any benefit to the credit union.

Our credit union continues to serve the communities of Unity, Tramping Lake and surrounding districts. With the Credential Financial Strategies (CFS) Office, Unity Credit Union's line of service encompasses a full line of investment options including brokerage; personal insurance; all classifications of loans; card products; financial planning; and electronic banking including phone banking, internet banking, mobile banking and a mobile app. Last year we reported that in 2019, Integrated Voice Response banking, more commonly known as telephone banking, would be discontinued. Through a new agreement with our partners in this service, we have agreed to extend the service until 2020. This compliments the many other ways you can access your account 24 hours a day.

Despite the challenges of the economic environment, our Credential Financial Strategies office had another good year. The services offered through our CFS office complement and expand the products and services we offer to members. The services support our financial planning processes, investment opportunities and estate and tax planning through an office that provides service with the member's best interest in mind. We are very pleased to advise that our CFS Office continued to grow and contribute positively to our operation.

## **Education**

One of the co-operative principles is education, training and information. Education, marketing and innovation have a lot of interconnectivity. On an annual basis, we update our marketing plan to provide direction to the actions and activities taken.

One of the marketing initiatives we had fun with in 2018 was our "Penny the Pig" Scavenger Hunt. Our objectives were to spark conversations about Unity Credit Union in our community and provide our

members with a fun and engaging game to play. Furthermore, our goal was to increase our social media presence and engagement. We wanted to build our brand recognition and offer members a more personable and fun relationship with Unity Credit Union. We structured our promotion as a scavenger hunt, to give members a platform to interact with us online.

The Piggy Bank Scavenger Hunt was well received by our members. Over the five days, we received 158 selfies, many from members who would not normally interact with our page; from young kids and teenagers to senior members. Unity Credit Union's Facebook total page views increased by 720% during the promotion to a daily average of 484, likely due to people checking our page daily for the next clue. Our Facebook posts reached 5,918 people and total engagement/post clicks were 1,915 during the campaign. We feel the promotion achieved what we wanted and was fun for all involved.

We tried something else new in 2018. Our AGM is well attended but not by a younger demographic. We wanted to reach a younger demographic so tried a new approach. We lightened the meeting agenda, offered a supper and refreshments and provided entertainment. Through this format, we attracted about 150 people to what we called our Laugh and Learn with Unity Credit Union. Of the attendees, 110 had never been to a credit union meeting before. Based on the success we will be hosting it again in 2019.

Each One Teach One is a program developed by the credit union system to help provide and promote financial literacy. In order to offer the program, a credit union needs to certify facilitators. In 2018, eight employees of Unity Credit Union enrolled in the program and completed the training to become facilitators. The goal now is to share the information with community groups and residents to give them resources to manage their finances more effectively. The group has already lined up some sessions for 2019. In addition to this new offering, Scott along with Ken Neil, provided an Executor Session for members. It focused on the tasks that need to be completed by an executor in administering an estate.

We are pleased to report that we won our second Marketing Award at the National Credit Union



Conference in Toronto. We were very pleased and proud of this award.

Our Junior Board Member Program is a topic of interest at system meetings. In 2018, since it was her third year in the position, Kennedy Mielke had two unique opportunities. She was invited by the Credit Union Manager's Association to be a panelist during their convention. She also attended the Canadian Credit Union Association National Conference in Toronto. These were experience broadening opportunities for Kennedy as well as the credit union.

Another co-operative principle is Concern for Community. As a credit union, we are very conscious of this principle and try to put words into action.

We continue to encourage staff to volunteer in the community in leadership and different capacities as well as providing workers for various functions. We are pleased to report that our staff provided in excess of 1500 hours of volunteer time in 2018.

We feel that community leadership is important but should also be fun. In the schools, we attended the Activate Day at the high school, participated in the Career Fair and participated and won the Chili Cook-Off. We sponsored a barbecue prize package for an RRSP campaign. We supported Telemiracle through a bake sale. We provided a meal to the field during harvest and provided donuts on the Special Olympics Day of Inclusiveness. Along with the Co-op, we constructed the deck at the new museum office. We ran our scavenger hunt placing Penny the Pig in the spotlight. Two staff members participated in Movember and we supported breast cancer initiatives as well. We ended the year with a very successful community Winter Wonderland and 12 Days of Christmas promotion. We were extremely proud to be recognized for our efforts at the National Credit Union Conference for a second year in a row. It was quite an honour for our credit union to be recognized on the national stage.

As for involvement in the community, we were busy supporting many and varied organizations, groups and events. We donated to Parkview Place's generator project, the local hospital, Saskatchewan Hospital in North Battleford and The Jim Pattison Children's Hospital in Saskatoon as we felt these

facilities provide service to our communities and members. The donations were made in conjunction with a barbecue to make the announcements. We made a donation to the Richardson's Outdoor Recreational Facility. We rescinded the service fee related to e-transfers making them free of charge due to their increasing popularity. We supported minor hockey in various ways including the purchase of jerseys. We honored our pledge to support Tramping Lake as we were able.

## Innovation

We could not announce the change until 2019 but now that time has passed, you will be aware that our Mastercard Global Payment cards are no longer going to be offered or useable after May 2019. These cards were unique in the financial industry and were exclusive to credit unions across the country. They were developed as a way to offer credit card functionality while having the funds come directly from your account without accumulating a credit card balance. Through the national partnership for cards, a new card service provider was chosen. When this was announced, the prior provider advised that they were terminating their relationship with credit unions. The new provider originally thought they would be able to provide the same services as we had. As we prepared for the transition to the new provider, we were advised that due to legal restrictions imposed by Mastercard International, the Global Payment Card could no longer be offered. We have been contacting members to advise them and offer other solutions and we have been hearing mixed reactions. Many members liked the direct debit from their account to pay for purchases. Unfortunately, this is no longer an option. Member Cards and Interac Online payment are options while choosing from a variety of credit cards is another. Our new provider is working on options to help members ease into the transition but some of these options will not be available until later in 2019. While we were not pleased with this change, we are trying to work with members and find alternatives that work for them.

Innovation encompasses technology and overall changes in the way we do things. We developed an elevator speech as a tool to use when communicating with people to become members,

employees or directors. It is meant to catch attention and create more questions. It is not meant to go into detail.

The credit union system continues to undergo change. In the past, mergers were occurring regularly and frequently. While mergers still occur, the focus has changed from mergers to collaboration. Collaborative efforts are occurring nationally, provincially and regionally. We need to stay aware and be informed of these developments. In many cases, we do not influence the direction being taken but we need to be aware of how the changes will affect and help us implement changes going forward.

With that in mind, Unity Credit Union and Biggar Credit Union created a collaborative agreement for technology. The concept behind the agreement was to create one technology department to serve the two credit unions. Technology is expensive and ever changing so having more people involved and discussing approaches seemed to make sense. At this time, we are merely sharing resources, both financial and personnel. While it has had some challenges, overall it has been supported and we hope to continue and expand it in 2019.

We implemented some behind-the-scenes technology and some new offerings that impact members. Behind-the-scenes, we implemented a tapeless cloud backup system. This helps to ensure we have more and better safeguards in place in the event our local server crashes or has issues. This enhances our business continuity planning process. We tested Virtual Private Network, which allows staff to access our databases from outside of the office, which improves our ability to serve members at their location rather than ours. We implemented a payment enhancement which allows a third payment process to occur which speeds up the clearing of payments.

From a member experience enhancement perspective, we introduced DocuSign, which allows us to capture electronic signatures in documents. This allowed us to complete loan documents from start to finish without having any paper copies. We hope to enhance this with signature pads like those used at SGI and when you sign a mobile phone agreement. We introduced Lock'N'Block. This

allows you to electronically lock and block access to your account until you are ready to use it. The purpose is to help safeguard your account from unknown compromises. Payment options took another step forward as mobile pay and apple pay were introduced. These two options allow you to link your debit card to your phone allowing you to use your phone to pay for purchases. As another member security enhancement, strong Personal Access Codes (PAC) were implemented. This changed personal access codes for accessing your online programs from just numbers to both numbers and letters. This makes hacking your account more difficult.

We have several projects in the works or on the roadmap. Many of these projects involve 'hurry up and wait' approaches. Since we rely on service providers to provide access to many of these programs, we are often at their mercy for implementing, which leads to the 'hurry up and wait'. With open banking and block chain applications receiving more attention, the world of technology is in no way slowing down. It is however, quickly reducing the amount of personal contact we have with our members, especially our younger members. We are trying to develop some analytical tools to help us learn more about our membership.

As society continues to embrace the advances provided by technology, we need to continue to grow and develop to serve all member demographics. We need to balance the need for personal service with the need for electronic connectivity. Members want new and varied ways to access their accounts. We must be constantly aware of what is available in the marketplace.

Going forward, we will look to be involved locally, provincially and nationally to address the many and various new products and services that are becoming available to members. We will work together where it is more economical for all.

## Planning

In the area of planning, we had two key focuses. The first was to become compliant with International Financial Reporting Standards 9 (IFRS 9) which are reflected in this year's financial statements. The



second was the renovation we have been considering for an extended period of time.

In regards to IFRS 9, there were three main components. The first was classifying and measuring our balance sheet items. Under IFRS 9, other comprehensive income and accumulated other comprehensive income are no longer used. So we had to reclassify and measure our instruments to determine the impact to our statements. The second component was the assessment of our loans portfolio to determine the allowance we need based on a proactive rather than reactive approach. We had to go back in time. This had impacts on our capital for the past and on our income statement for 2018. There were comments on this in the growth and member service section of this report. The third component was reporting. The financial statements reflect the above changes and the notes to the financial statements reflect the changes as well.

The other significant project, finally began in 2018, was the renovation to our building. We spent considerable time determining our wants and needs and considering floor plans. We had four drivers for the project. They were to refresh and fix our building, position our building for the provision of service into the future, redesign our building for the changing role of the branch and to provide new value to the credit union and community. Last year we advised that if we chose not to do anything, we would still have to spend money to refresh our building. For the last 20 years, it has only had maintenance done and was showing wear and tear in many areas. The final design included some expansion of space due to the loss of the basement. Rather than spending money on an area that could cause us grief in the future, we built a conservative extra space in the back corner. The plan completely overhauls the CFS office, as the current space was an old building. The front of the building will expand to the sidewalk in order to utilize that space more effectively. Other than that, we will use our space differently. We anticipate that in the future, service will be different so feel we did not have to expand the complete footprint of the building.

Whenever a renovation is considered, the first thing that comes to mind is cost. The approved budget for the project was \$4.2 million with a 38-week project timeline. Members ask why we chose to renovate

rather than build new. Cost was the biggest driver in this decision. In discussion with the consultant group, they advised that building new would double the cost. A renovation is more difficult to coordinate and complete, trying to work around staff and members; however, a new build would have increased the cost drastically and that is not a direction we wanted to pursue. While a renovation is still a significant cost, it is also an investment in the community. We have budgeted for a renovation for several years but never taken action. We have factored the cost into our budgets and capital projections over that time.

The second thought that comes to mind when a co-operative organization such as ours undergoes a renovation, is that the organization is spending members' equity and members will not receive patronage payments for years. Regardless of a renovation, patronage is only paid if the credit union is successful and has the support of its members. If the credit union is successful, it generates an operating surplus. If the surplus is sufficient to meet operating expenses and build capital, then patronage is paid. Our budgeted projections show that with continued member support, a renovation, even with a significant cost, should be manageable and not drastically affect the financial well-being of the credit union. We can spread the cost of the renovation over several years to make the cost more manageable.

Members often question why a credit union can complete a renovation but not pay more interest on deposits. The complete financial picture has to be considered when answering that question. Paying more for deposits has different impacts than paying for a renovation. If we raise rates, we impact our margin. To maintain a margin, would require raising loan rates. To offset the loss of margin would require generating revenue from another source. Neither option is popular with borrowers or members in general. It is better to keep rates competitive in the marketplace as we have always done and generate a sufficient margin to pay operating expenses, including the capitalized cost of a renovation.

In a renovation, members like to see local involvement. The construction process is utilizing a construction management approach. New Ground

has been contracted as the construction managers. The actual construction was tendered and we provided names of local contractors so they would be aware of the process. As of the end of the year, seven local contractors had been involved.

The last consideration is member service. A renovation, like a home renovation, is a disruptive process and has been disruptive. We have done our best to work through the disruption, noise and confusion. Members have been very understanding and we thank them for that. We even had them entering through the back door for a time and they accepted that. We temporarily moved the ATM to allow continued access through the renovation process but it now involves accessing it from outside rather than in the comfort of the building. Once again, we thank members for their positive approach to the changes we are undergoing.

These are just a few of the things we did in 2018.



# Our Risk Management

As a financial institution, Unity Credit Union must manage the risks it faces to achieve its business objectives. In doing so, it must balance the risk with the potential reward for the optimum return for its effort. In dealing with any forms of risk, we have four options available:

- Risk avoidance
- Risk acceptance
- Risk transfer
- Risk mitigation

Our risk management process has evolved to the point where we:

- Identify risks to which the credit union is exposed.
- Measure our exposure to identified risks.
- Ensure that an effective risk monitoring program is in place.
- Monitor risk exposures on an ongoing basis.
- Control and mitigate our risk exposures.
- Report to the Board and Senior Management on our risk exposures.

We do this through our risk management regime, which consists of the following:

- Enterprise Risk Management (ERM) - risks are identified and tracked
- Risk Appetite Statement – identifies the amount and type of risk the credit union is able and willing to accept in pursuit of its business objectives
- Internal Capital Adequacy Assessment Process (ICAAP) – sets the capital levels that are considered appropriate given current risk profile and risk appetite
- Capital Plan – determines the credit union's ability to absorb financial and economic stress
- Liquidity Plan – establishes the credit union's ability to fund its business activities
- Strategic/Business Plan – sets the strategic direction and related operational plans
- Budget - projects the effect of any steps taken through the capital and liquidity plans

The fundamental strength of a credit union is the level of capital it holds to protect against normal, anticipated, and unexpected business events. Based on the measurements used for determining financial strength, our credit union has a moderate level of capital and therefore must take a moderate approach to risk as we have in the past. Our main objective is to preserve and build capital while maintaining market share and growing wallet share by providing our members with competitive products and the best service possible.

As our credit union grows and experiences further product and service diversification, the risk profile of the organization will change. Capital adequacy measurements have evolved from a straight percentage of assets to an asset allocation based on the structure of the balance sheet to determining the capital required based on the lines of business, operating, technology, reputation and other known risks. In today's regulatory environment, adequate capital allocations are required to offset these various risks.

A second element of risk management is liquidity. Again, rather than just a straight percentage of assets, calculation of a liquidity coverage ratio and stress testing is now the requirement. The objective of the new standard is to ensure that credit unions have an adequate stock of encumbered high quality liquid assets to meet liquidity needs for a 30 calendar day stress scenario. After 30 days, it is assumed corrective actions will be taken to address the situation. These high quality liquid assets are to consist of cash or assets that can be converted into cash at little or no loss of value. Credit unions are further expected to conduct stress tests to assess the level of liquidity they should hold.

Our risk management framework manages risks in the following categories:



## Strategic Risk

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

A key challenge facing the credit union is the changing needs of members and seeking ways to be relevant to a new generation of members who use the services of Unity Credit Union in new and different ways than their parents and grandparents.

Unity Credit Union has formal planning processes that result in a strategic business plan focused on strategic objectives as outlined herein. The credit union uses a comprehensive reporting process to monitor performance relative to plans and provides regular updates to the Board. The ERM process further identifies emerging risks and formulates plans as risks are identified. Directors attend training as well as system meetings and conferences to hear other perspectives and learn from other credit unions.

With all the technology advancements, it is important that Unity Credit Union has adequate resources to invest in these technologies. With this in mind, in our ICAAP process, we have built in a capital buffer of \$500,000 under Strategic Risk. This would allow us to invest in technologies if the opportunity arose. While this does not protect our income statement, it does protect our capital position and was felt to be prudent.

The provision of services and changes in the financial industry have elevated this risk from an historical low to a moderate position. The credit union is entering a formal strategic planning process in 2019 to help determine and set direction for the new year.

## Credit Risk

Credit risk is the risk of financial loss arising from a borrower or counterparty's inability to meet its

obligations. Unity Credit Union is affected primarily by its direct lending activities. In addition to lending to its members, Unity Credit Union assumes risks related to loans purchased from other credit unions and affiliates, leases financed through leasing corporations and to a lesser extent, by holdings within its investment portfolio. Some key individual credit risks are: default risk, portfolio concentration risk, assets pledged as security risk, inadequate allowance risk and policy exceptions risk.

The Board of Directors sets policy to guide lending processes. These are put into practice through procedures established by management. Review and revision of lending policies and procedures are completed on a regular basis. In 2018, the credit union began a comprehensive review of their lending procedures to ensure they were relevant and up-to-date.

Credit granting is performed in accordance with approved policies, procedures and applicable legislation. This includes credit analysis, pricing, terms and documentation for lending. Loan pricing structures are in place to support lenders in pricing decisions and to ensure risk is offset by rates. Concentration limits by industry and size of loans have been designed to reflect our risk tolerance. Credit risk is further mitigated through training of loans personnel. A new risk rating system to analyze the risk evident in the lending portfolio was developed in 2018. This moves the risk assessment from dollar amounts to key risk factors which provides a more in depth analysis of the member file. In addition, a new impaired loan assessment was implemented to be compliant with IFRS 9 accounting rules. This changes the assessment from a reactive approach to a proactive and forward looking approach.

The credit union's credit portfolio and lending practices undergo regular and ongoing independent assessment through external audit, internal audit and regulatory reviews. Reports are provided to management and to the Board of Directors through the Audit and Risk Committee.

Due to the prolonged economic slowdown, slower activity in the oil industry, continued high land prices and the new risk assessments implemented, credit risk has moved from a low risk to a moderate risk.



## Market Risk

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

The credit union's market risk is impacted primarily by movements in interest rates specifically from the timing differences that exist between the re-pricing of loans, investments and deposits. The credit union's exposure to changes in interest rates is monitored by management in two ways. The first is through our contract for financial services with Innovation Credit Union, who monitor and measure our exposure and provide reports to management and the board. The second is by employing Concentra Bank to do a review on a quarterly basis. Concentra Bank provides a quarterly report outlining rate forecasts and assumptions, and how they affect our balance sheet. Results are reviewed by the Management Risk Committee who in turn reports through the Audit & Risk Committee to the board. Changes in market conditions are monitored through the same processes. The credit union does not make a habit of buying and selling investments for speculation. Generally, investments are purchased and held to maturity.

Foreign exchange risk occurs when members exchange Canadian funds for another currency, which are predominantly US dollars. This risk is offset by the credit union maintaining a US Dollar Account with SaskCentral in a similar amount to funds held in member US Dollar accounts. When members exchange currency, we complete a similar transaction to offset any risk exposure. Foreign exchange risk is monitored at least quarterly and adjustments to the account at SaskCentral are made as required.

Due to the maturity of the processes in place to manage and monitor market risk, the risk remains unchanged at a low risk.

## Liquidity Risk

Liquidity is required to meet the day-to-day cash needs and loan demands of our members. Liquidity

risk arises from general funding activities and through management of our assets and liabilities. It is the risk of having insufficient cash resources, or equivalents, to meet members' demand for loans or drawdown of deposits. The credit union's liquidity risk management strategies seek to maintain sufficient liquid resources to continually fund our balance sheet commitments.

Requirements for liquidity risk management are defined by policies and regulatory standards and limits. The standards have changed in the last few years. The focus is now on the liquidity coverage ratio and the quality of liquid assets. Quality is determined by how quickly investments can be liquidated and how they would be impacted by market value fluctuations. In 2018, we were given more ability to control our liquidity coverage ratio by the investment choices we could make. Throughout 2018, we were able to meet and exceed the liquidity coverage requirements but there is room to manage our investments even better. With the new investment options we were able to generate sufficient revenue to cover the new liquidity management assessment and increase our overall revenue.

The current funding and liquidity management framework includes the following processes and controls:

- Development and regular review of the approved liquidity plan.
- Monitoring of large pending loan requests.
- Monitoring of requests for large withdrawal of funds.
- Through a contractual arrangement with Innovation Credit Union who monitors actual inflows and outflows of funds on a daily, weekly, monthly and annual basis. Innovation Credit Union then manages the investment of excess funds to best meet proposed needs and requirements.
- Establishment of borrowing facilities with SaskCentral.
- Through our contract with Concentra Financial, a liquidity stress test identifies the credit union's ability to meet a substantial withdrawal of funds over a very short period of time.

- Reviewing and reporting the credit union's liquidity position to the Management Risk Committee and through the Audit & Risk Committee to the board.

Due to meeting and exceeding the liquidity coverage ratio all year and generally meeting the liquidity stress test, the risk remains low.

### Legal and Regulatory Risk

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

Key specific risks include knowingly not reporting suspicious transactions or any other required money laundering or terrorist financing transactions. Other risks include breaches of privacy and tax related activities.

Policies, procedures and controls are designed to ensure Unity Credit Union is compliant. Our Risk & Compliance Officer oversees our processes related to certain pieces of legislation and reports quarterly to the Audit & Risk Committee and in turn to the board. We continue to contract Internal Audit from SaskCentral to review our processes and controls on an annual basis. In addition, our external auditors, CUDGC and FINTRAC examine processes and controls to ensure compliance.

As the pieces of legislation continue to increase and the implications of non-compliance continue to increase, legal and regulatory risk has changed from low to moderate.

### Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events. Exposures to this risk arise from increasing efficiency ratios, shrinking margins, increased costs to retain staff, deficiencies in internal controls, technology failures, human error, employee integrity or natural disasters.

Specific risks include internal and external frauds including compromising of cards or systems, inability to attract and/or retain qualified employees, loss of operating systems and outside factors such as robbery or disasters such as a train derailment.

Operational risk is managed through the use of policies and procedures, controls and monitoring. Control and monitoring involves segregation of duties, employee training, performance management and structured internal and external audit functions. Other mitigating factors include reviewing ways to increase revenues and decrease expenses, monitoring human resource changes and practices in the marketplace, a comprehensive business continuity plan, appropriate insurance coverage and secure technology solutions. Our banking platform is maintained offsite and includes a very complicated back up and disaster recovery process. Improved backup systems have been implemented and a high level review of our IT programs was completed by an independent party. In 2018, Unity Credit Union, working with the RCMP Emergency Response Team, held a scenario training session. This helped to bring the Continuity Plan into focus.

The risks of fraud, especially external fraud through compromises or breaches continues to increase so the overall operational risk has increased from low to moderate.

# Our Future

Every year we look into our crystal ball to try to determine what the future might hold. Every year the picture shows change. This coming year is no exception. We anticipate change in our physical structure, people and offerings. The renovation of the building will be completed. We are looking for ways to continue to help prepare our staff for the future. We anticipate more technological advances, both for the benefit of the credit union and for members to utilize. In addition, we will monitor activities in the system and determine their effect on our organization. It remains our belief that Unity Credit Union must continue to evolve and change to remain relevant for our current members and our members of the future.

Initiatives that we will be working on to prepare for the future include:

- Completing the renovation of the building
- Seeking ways to help prepare staff for the future
- Continuing the rollout of new credit cards and dealing with the transition away from Global Payment Cards
- Personal financial management tools for members' utilization
- Implementation of a Customer Relationship Management system to enhance the member experience

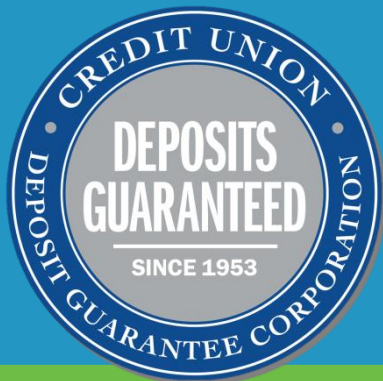
- Implementation of a new Account Opening Solution to aid in the opening of new accounts
- Consideration of new communication options for use with members
- Continuing promotion of our financial planning service
- Continuing to implement Enterprise Content Management to streamline processes and provide alternate options for services
- Working with other credit unions and groups of credit unions to seek new ways of doing things without necessarily having to merge
- Encouraging members and non-members to do more business with us
- Marketing who we are and why we are different
- Seeking additional ways to be a leader in the community

That concludes our report of activities for the year ended December 31, 2018. 2018 was another successful year and we look forward to continued success in 2019. With your continued support, "We'll always be there."

Respectfully submitted,

*Board of Directors and Management*  
Unity Credit Union Limited





## CREDIT UNION DEPOSIT GUARANTEE CORPORATION

Annual Report Message 2018

January 2019

### Deposits Fully Guaranteed

Credit Union Deposit Guarantee Corporation (the Corporation) is the deposit guarantor for Saskatchewan credit unions, and the primary regulator for credit unions and Credit Union Central of Saskatchewan (SaskCentral) (together, Provincially Regulated Financial Institutions or "PRFIs").

The Corporation is charged through provincial legislation, *The Credit Union Act, 1998*, with the main purpose of guaranteeing the full repayment of deposits held in Saskatchewan credit unions. The Corporation was the first deposit guarantor in Canada and has successfully guaranteed deposits since it was established in 1953. By guaranteeing deposits and promoting responsible governance, the Corporation contributes to confidence in Saskatchewan credit unions.

For more information about deposit protection, the Corporation's regulatory responsibilities, and its role in promoting the strength and stability of Saskatchewan PRFIs, talk to a representative at the credit union or visit the Corporation's web site at [www.cudgc.sk.ca](http://www.cudgc.sk.ca).

**Unity Credit Union Limited**  
**Summary Financial Statements**  
*December 31, 2018*

## Report of the Independent Auditor on the Summary Financial Statements

---

To the Members of Unity Credit Union Limited:

### Opinion

The summary financial statements, which comprise the summary statement of financial position as at December 31, 2018, and the summary statements of net income, comprehensive income, changes in members' equity and cash flows for the year then ended, are derived from the audited financial statements of Unity Credit Union Limited (the "Credit Union") for the year ended December 31, 2018.

In our opinion, the accompanying summary financial statements are a fair summary of the audited financial statements, in accordance with International Financial Reporting Standards.

### Summary Financial Statements

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon.

### The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated March 14, 2019.

### Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements in accordance with International Financial Reporting Standards.

### Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are a fair summary of the audited financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standards (CAS) 810, Engagements to Report on Summary Financial Statements.

Saskatoon, Saskatchewan

March 14, 2019

*MNP LLP*


Chartered Professional Accountants

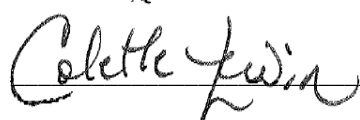
**MNP**

**Unity Credit Union Limited**  
**Summary Statement of Financial Position**  
*As at December 31, 2018*

	2018	2017
<b>Assets</b>		
Cash and cash equivalents	11,339,010	9,123,563
Investments	43,358,374	48,831,453
Member loans receivable	206,846,454	188,970,595
Other assets	858,510	1,253,196
Property, plant and equipment	1,052,843	506,373
	<b>263,455,191</b>	<b>248,685,180</b>
<b>Liabilities</b>		
Member deposits	238,705,850	226,156,029
Other liabilities	821,174	486,295
Membership shares	3,229,727	3,228,857
	<b>242,756,751</b>	<b>229,871,181</b>
<b>Members' equity</b>		
Retained earnings	20,698,440	18,817,090
Accumulated other comprehensive loss	-	(3,091)
	<b>20,698,440</b>	<b>18,813,999</b>
	<b>263,455,191</b>	<b>248,685,180</b>

Approved on behalf of the Board

  
\_\_\_\_\_, Director

  
\_\_\_\_\_, Director

**Unity Credit Union Limited**  
**Summary Statement of Net Income**  
*For the year ended December 31, 2018*

	2018	2017
<b>Interest income</b>		
Member loans	8,505,823	7,469,876
Investments	1,538,790	983,483
	<b>10,044,613</b>	<b>8,453,359</b>
<b>Interest expense</b>		
Member deposits	2,555,759	2,238,128
Borrowed money	13,777	5,990
	<b>2,569,536</b>	<b>2,244,118</b>
<b>Gross financial margin</b>	<b>7,475,077</b>	<b>6,209,241</b>
<b>Other income</b>	<b>1,020,506</b>	<b>864,653</b>
	<b>8,495,583</b>	<b>7,073,894</b>
<b>Operating expenses</b>		
Personnel	2,384,958	2,268,508
Security	231,548	207,346
Organizational	166,772	154,754
Occupancy	207,857	184,305
General business	1,644,291	1,517,916
	<b>4,635,426</b>	<b>4,332,829</b>
<b>Income before provision for (recovery of) impaired loans, patronage refund and income taxes</b>	<b>3,860,155</b>	<b>2,741,065</b>
<b>Provision for impaired loans</b>	<b>773,851</b>	<b>372,992</b>
<b>Patronage refund</b>	<b>500,000</b>	<b>420,000</b>
<b>Income before provision for (recovery of) income taxes</b>	<b>2,586,306</b>	<b>1,948,073</b>
<b>Provision for (recovery of) income taxes</b>		
Current	575,686	407,830
Deferred	(97,698)	(104,466)
	<b>477,988</b>	<b>303,364</b>
<b>Net income</b>	<b>2,108,318</b>	<b>1,644,709</b>



**Unity Credit Union Limited**  
**Summary Statement of Comprehensive Income**  
*For the year ended December 31, 2018*

	<b>2018</b>	<b>2017</b>
<b>Net income</b>	<b>2,108,318</b>	1,644,709
<b>Other comprehensive income (loss)</b>		
Change in unrealized gains and losses on available-for-sale assets (net of tax recovery of \$nil) (2017 – net of tax recovery of \$30,893)	-	(128,044)
Realized gains and losses on available-for-sale assets (net of tax expense of \$nil) (2017 – net of tax expense of \$2,708)	-	11,224
<b>Other comprehensive loss, net of income tax</b>	-	(116,820)
<b>Total comprehensive income</b>	<b>2,108,318</b>	1,527,889

**Unity Credit Union Limited**  
**Summary Statement of Changes in Members' Equity**  
*For the year ended December 31, 2018*

	<i><b>Retained earnings</b></i>	<i><b>Accumulated other comprehensive income (loss)</b></i>	<i><b>Total equity</b></i>
<b>Balance, December 31, 2016</b>	17,172,381	113,729	17,286,110
Net income	1,644,709	-	1,644,709
Other comprehensive loss	-	(116,820)	(116,820)
<b>Balance, December 31, 2017</b>	<b>18,817,090</b>	<b>(3,091)</b>	<b>18,813,999</b>
Net income	<b>2,108,318</b>	-	<b>2,108,316</b>
IFRS 9 transition adjustment	<b>(226,968)</b>	<b>3,091</b>	<b>(223,877)</b>
<b>Balance, December 31, 2018</b>	<b>20,698,440</b>	-	<b>20,698,440</b>

**Unity Credit Union Limited**  
**Summary Statement of Cash Flows**  
*For the year ended December 31, 2018*

	2018	2017
<b>Cash provided by (used for) the following activities:</b>		
<b>Operating activities</b>		
Interest received from member loans	8,287,875	7,486,437
Interest received from investments	1,490,504	904,592
Other income	1,020,506	864,653
Cash paid to suppliers and employees	(3,743,602)	(4,505,521)
Interest paid on deposits	(2,478,062)	(2,117,011)
Interest paid on borrowed money	(13,777)	(5,990)
Patronage refund	(500,000)	(420,000)
Income taxes paid	(420,757)	(223,514)
	<b>3,642,687</b>	<b>1,983,646</b>
<b>Financing activities</b>		
Net change in member deposits	12,472,124	16,857,426
Net change in membership shares	870	36,620
	<b>12,472,994</b>	<b>16,894,046</b>
<b>Investing activities</b>		
Net change in investments	5,521,365	(121,608)
Net change in member loans receivable	(18,709,666)	(14,162,130)
Purchases of property, plant and equipment	(716,918)	(129,222)
Proceeds from disposal of property, plant and equipment	4,985	-
	<b>(13,900,234)</b>	<b>(14,412,960)</b>
<b>Increase in cash and cash equivalents</b>	<b>2,215,447</b>	<b>4,464,732</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>9,123,563</b>	<b>4,658,831</b>
<b>Cash and cash equivalents, end of year</b>	<b>11,339,010</b>	<b>9,123,563</b>

**Unity Credit Union Limited**  
**Summary Financial Statements**  
*December 31, 2018*

## Report of the Independent Auditor on the Summary Financial Statements

---

To the Members of Unity Credit Union Limited:

### Opinion

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Saskatoon, Saskatchewan

March 14, 2019

*MNP LLP*


Chartered Professional Accountants

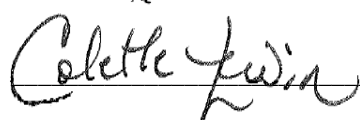
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Approved on behalf of the Board

  
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# Unity Credit Union Limited

## Summary Statement of Net Income

*For the year ended December 31, 2018*

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**Unity Credit Union Limited**  
**Summary Statement of Comprehensive Income**  
*For the year ended December 31, 2018*

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**Unity Credit Union Limited**  
**Summary Statement of Cash Flows**  
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Net change in investments	5,521,365	(121,608)
Net change in member loans receivable	(18,709,666)	(14,162,130)
Purchases of property, plant and equipment	(716,918)	(129,222)
Proceeds from disposal of property, plant and equipment	4,985	-
	<b>(13,900,234)</b>	<b>(14,412,960)</b>
<b>Increase in cash and cash equivalents</b>	<b>2,215,447</b>	<b>4,464,732</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>9,123,563</b>	<b>4,658,831</b>
<b>Cash and cash equivalents, end of year</b>	<b>11,339,010</b>	<b>9,123,563</b>