



Sandhills Credit Union 2022 Annual Report

Annual General Meeting of SANDHILLS CREDIT UNION

Leader Community Centre

Wednesday April 26, 2023

Registration	5:30 p.m.
Supper	6:00 p.m.
Meeting	7:00 p.m.

Meeting Agenda

1. Call to Order
2. Appointment of Chairperson & Secretary
3. Adoption of Agenda
4. Confirmation of Quorum
5. Minutes of April 21, 2022, Annual General Meeting
6. Adoption of Reports
 - Presidents Message
 - Management Discussion and Analysis
 - Presentation of Financial Reports
 - Auditors Report
 - Nominating Committee Report
7. Results of Director Elections
8. Appointment of Auditors
9. Service Awards & Presentations
10. Adjournment

Sandhills Credit Union
Annual General Meeting Thursday, April 21, 2022
Minutes:

The 26th Annual Meeting of Sandhills Credit Union was held Thursday, April 21, 2022, at the Leader Community Centre.

Registration	5:30pm
Supper	6:00pm
Meeting	7:00pm

President, Gordon Kuntz, called the meeting to order at 6:41 pm.

Elizabeth Heatcoat moved the appointment of Gordon Kuntz as Chairperson and Rebecca Eastwood as Recording Secretary. Seconded by James Sifert.

CARRIED.

President Kuntz announced there were 52 members and 3 guests present.

Confirmation of Quorum:

President Kuntz gave the member numbers stating quorum was present and stated that the meeting was regularly and lawfully convened and ready to transact business.

Shelley Fuchs moved the approval and adoption of the agenda as set out in the annual report. Seconded by Colette Wenzel.

CARRIED.

Debbie Tondevold read the minutes of Last Annual Meeting April 13, 2021, circulated at this meeting, and are provided in the credit unions Annual Report.
No errors or omissions.

Craig Tondevold moved the approval of the minutes. Seconded by Karri Wagman.

CARRIED.

President Kuntz announced reports will be read and there will be a motion to approve all reports at once.

Adoption of Reports:

Chairperson Gordon Kuntz presented the Directors Report.

CEO, Becky Ellis presented the following reports:

Management Report, and consolidated Financial Statements for the year ending December 31, 2021.

Breanna MacEwan from Virtus Group presented the Auditors Report

Colette Wenzel presented the nominating committee report on the results of the director election stating that having received 3 nominations, one of which was not accepted due to the stipulation that Directors must be a member for a year.

- James Sifert
- Joe Dirk

Were “in by acclamation” for 3-year terms.

Report acceptance moved by Shelley Fuchs and seconded by Dave Redman.
CARRIED.

President Gord Kuntz asked for a motion from the floor to appoint Virtus Group as Auditors for Sandhills Credit Union in 2022.

Moved by Jessica Feiffer and seconded by Bobbi Sitter.

CARRIED.

President Gord Kuntz introduced the Board of Directors for 2022.

Debbie Tondevold, James Sifert, Elizabeth Heatcoat, Joe Dirk, Gord Kuntz, and Colette Wenzel.

Awards and Presentations:

Shelley Fuchs presented a 5 year service award to Dawn Fehr

Member Survey draw winner – Roxana Tiefenbach

Door Prize winners – Loretta Kuntz and Larry Asmus

Adjournment:

Chairperson Gordon Kuntz adjourned the meeting at 7:39pm.

April 21, 2022.



Directors Report

At Sandhills Credit Union, we have always been committed to being more than just a financial institution. We are proud to be an integral part of the Leader and area community, and we strive to make a positive impact in the lives of our members and the places we call home.

One of the highlights of the past year has been the successful launch of our Employee Volunteer Community Contribution Program. This program embodies our commitment to giving back to the community and recognizing the efforts of our employees and board members who volunteer their time and skills to make a positive impact.

Through this program, any employee or board member who volunteers in the local community for 5 hours or more is eligible for a reward of \$200.00, which we donate to an organization of their choice. This initiative not only encourages volunteer work, but also allows our employees and board members to support causes and organizations that are meaningful to them.

We are thrilled to report that our staff and board members have actively participated in volunteer activities such as local fundraisers, community initiatives, food drives, and more. Their dedication to making a difference in our community has been inspiring, and we are grateful for their selfless efforts.

The Employee Volunteer Community Contribution Program has not only had a positive impact on the organizations and causes supported, but also on our team spirit and organizational culture. It has fostered a sense of community engagement and pride among our employees and board members, as they are able to contribute to the betterment of our local community.

We are proud to have made significant donations to local causes and organizations, exemplifying our unwavering commitment to giving back to our community. In particular, we have supported initiatives such as the Sandhills Credit Union Marketplace and The Handi-Van, recognizing the importance of these organizations in our local community. These donations reflect our dedication to making a positive impact and supporting the well-being of our community members. We are honored to be able to contribute to these worthy causes and organizations, and we look forward to continuing our support in the future.

We also awarded two Leader Composite School Graduates with \$1500.00 scholarships each, as part of our commitment to promoting education and supporting our local youth.

We are excited to report significant progress in our technology initiatives. Keeping cyber security and information technology management a priority at both Sandhills Credit Union and Insurance Agency, we made the decision to establish a new IT management and Cyber Security plan and we have partnered with WBM for our IT management and Cyber security needs at the Agency.

We also experienced the successful launch of a new online banking platform with upgraded features and enhanced security. In addition, we introduced a convenient mobile app that allows our members to easily access their accounts while on the go. The ability to bank on the go, and enhanced self-serve options are things our members have been asking for, and we are happy to have been able to call the digital banking launch a success. We acknowledge and appreciate the patience of our valued membership during the upgrade process, change can be a challenge, even good change! We are grateful for the unwavering support of our dedicated staff. Their hard work and commitment have been instrumental in ensuring a smooth transition, and we are proud to offer our members improved digital banking options that align with their evolving needs and preferences. We remain committed to staying at the forefront of technological advancements in the financial industry to provide our members with the best possible banking experience.

On a bittersweet note, we would like to announce the retirement of Shelley Fuchs, Manager of The Sandhills Insurance Agency. Shelley has been an invaluable asset to our organization, joining the agency in 2008 after 11 years in the banking industry. She completed her CAIB designation in 2011 and became the Manager of Sandhills Insurance in the same year. Shelley has taken care of Home, Agro, Commercial, Auto, and Hail Insurance at the Branch, and has been in the customer service industry for over 36 years! We wish her a well-deserved retirement at the end of 2024 and express our deepest gratitude for her contributions to our organization.

Sandhills Credit Union has continued to grow and strengthen its position in the financial services industry in Saskatchewan. Our consolidated statement of financial position as of December 31, 2022, reflects our solid financial performance. Our total assets increased to \$95.7 million, compared to \$91.7 million in the previous year, indicating healthy growth. Our loans receivable also increased to \$50.9 million, compared to \$49.0 million in the previous year, reflecting the continued trust and confidence of our members in our lending services. This is further reviewed and outlined in the management discussion and analysis.

We are proud of our financial accomplishments and attribute our success to the unwavering support of our members and the hard work and dedication of our staff. Our commitment to providing exceptional financial services and being a trusted financial partner to our community remains steadfast. We will continue to work diligently to meet the financial needs of our members and contribute to the economic well-being of our local community.

We would like to express our deepest gratitude to all our members, employees, and board members for their continued support and dedication to the mission and vision of Sandhills Credit Union. We look forward to another successful year ahead, building on our achievements and continuing to make a positive impact in our community.

Thank you for your ongoing support.

Respectfully submitted,

Gord Kuntz

**Gord Kuntz, Board Chair
On behalf of the Board of Directors**



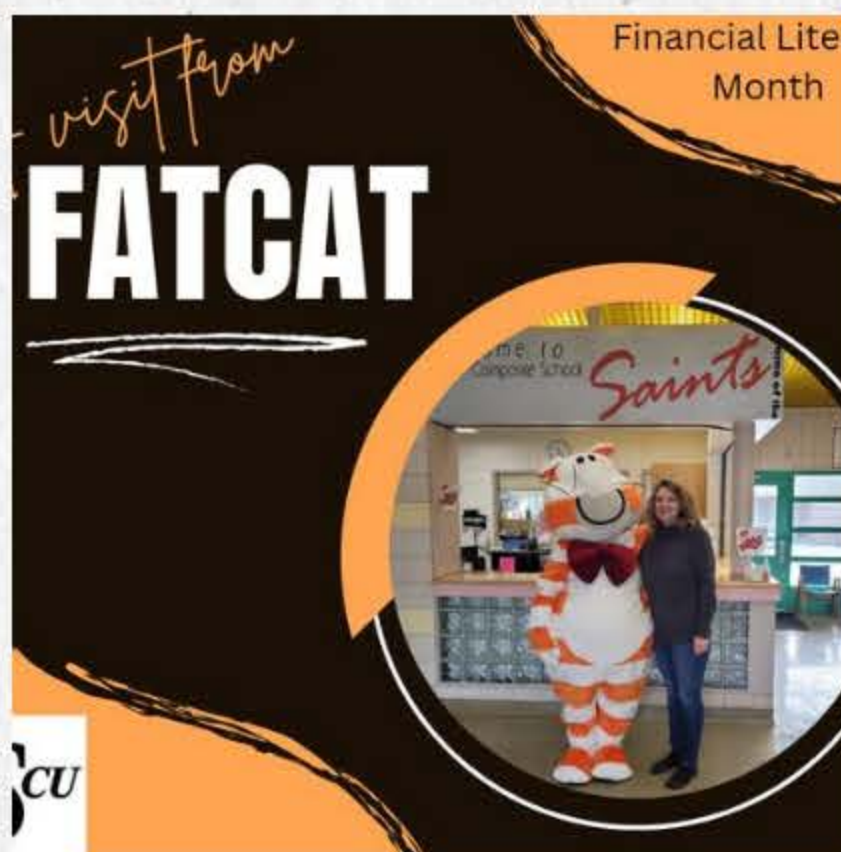
SANDHILLS GIVES BACK!

2022

IN REVIEW



FAT CAT AT THE TRADE SHOW!



Beyond Grateful!





Management Discussion and Analysis

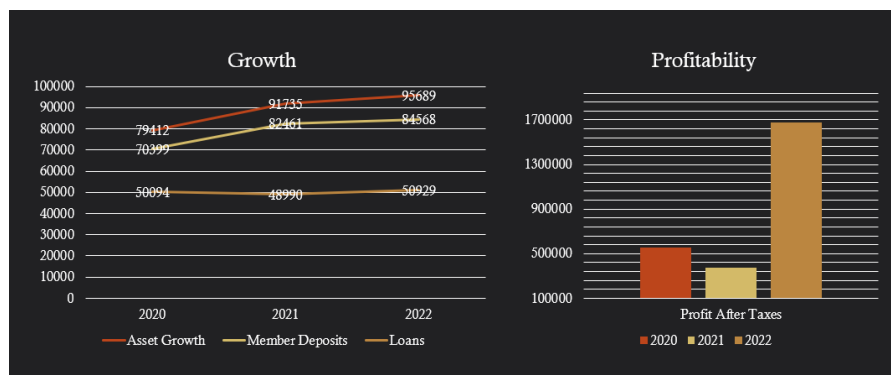
Introduction

I am pleased to present to you the annual report of Sandhills Credit Union for the year ending December 31, 2022. It has been another successful year for our credit union, and I would like to express my sincere gratitude to our members for their continued support and trust in us. Despite the challenges posed by the ongoing economic and social uncertainties, we have remained committed to our mission of providing excellent financial services to our members and supporting our local communities in Saskatchewan.

Presented herein is the discussion and analysis of the operational and financial position of Sandhills Credit Union as of December 31, 2022, in accordance with International Financial Reporting Standards (IFRS). The commentary is in combination with, Sandhills CU's Consolidated Financial Statements.

Operational Overview

Sandhills Credit Union has continued to grow and strengthen its position in the financial services industry in Saskatchewan. Our consolidated statement of financial position as of December 31, 2022, reflects our solid financial performance. Our total assets increased to \$95.7 million, compared to \$91.7 million in the previous year, indicating healthy growth. Our loans receivable also increased to \$50.9 million, compared to \$49.0 million in the previous year, reflecting the continued trust and confidence of our members in our lending services.



Strategy

Strategic Planning and forward thinking were an important focus for the board in 2022.

The board of directors, and executive management of Sandhills Credit Union went to Saskatoon in October and spent 3 days together with a facilitator creating a meaningful strategic plan. In addition, for the first time, the board of directors, CEO Becky Ellis and the entire Sandhills Insurance Agency attended a full day strategic

planning session, facilitated by a consultant to establish a strategic plan for the Sandhills Insurance Agency and team. Highlights from our sessions is outlined:

Financial Management and Growth Focus: Continued focus on generating profitable growth within our communities and providing clear strategic direction to our insurance subsidiary to create value for our members and ensure our credit union's autonomy and financial health.

Community Focus: Remain involved and supportive of our community, actively adding value through our support and involvement, and promoting our activities. Financially invest in our community according to our Community Investment principles.

Member Service Focus: Strive to provide trusted financial advice and services that enable our members to make informed decisions. Continuously work on raising the bar on service, building trust with our members, and finding solutions that benefit our members and our credit union.

Governance Focus: Ensure our Board has the information needed to make strategic, data-driven, member-centric decisions. This includes formalizing Board training and development processes, actively involving the Board in setting the strategic direction of our insurance subsidiary, and regularly discussing emerging financial issues.

People and Culture Focus: Support a culture focused on the professional development of our staff, management, and Board. This includes aligning skills with roles, developing an agile and member-centric mindset, and executing smooth management succession.

We are committed to achieving our strategic objectives and continuing to serve our members and communities with excellence.

Key Performance Drivers

Sandhills credit union's key performance indicators demonstrate our commitment to financial stability, sustainability, and member satisfaction. We are proud to report that our net income for the year ending December 31, 2022, was \$1.7 million, compared to \$375,761 in the previous year, showcasing our continued profitability and growth.

This is much higher compared to previous years, largely due to the extraordinary income received from SaskCentral. In 2022, SaskCentral sold their shares in Concentra Bank to Equitable Bank (EQ) as part of an agreement. Since SaskCentral is owned by Saskatchewan credit unions, the proceeds from the sale were passed through to the credit unions, resulting in the significant increase in the amount of \$911,023.

Our provision for credit losses was \$201,842, compared to \$21 in the previous year, indicating our prudent approach to managing credit risk.

Our interest revenue also increased to \$3.7 million, compared to \$2.4 million in the previous year, driven by our focus on providing competitive lending and investment products to our members. Additionally, our operating expenses were well managed at \$2.4 million, compared to \$2.5 million in the previous year, reflecting our commitment to operational efficiency.

Cash and cash equivalents decreased to \$6.6 million, compared to \$12.4 million in the previous year, primarily due to changes in investing and financing activities. However, we remain well-capitalized with members' equity of \$10.4 million, compared to \$8.7 million in the previous year, which provides a strong foundation for future growth.

Results

Results	2022	2021
Asset Growth	4.52%	15.52%
Deposit Growth	2.69%	17.13%
Loan Growth	3.95%	-2.20%
Loan Delinquency	3.19%	0%
Leverage Ratio	10.71%	9.06%

Results	Including Concentra Sale	Not Including Concentra Sale
Net Income	\$1,680,498	\$769,475

Overall, we have a financially strong organization. When we compare to our peers and the province, we find ourselves in the upper level of capital strength.

Growth

Sandhills Credit Union experienced steady growth in 2022, with total assets increasing from \$91.7 million to \$95.7 million. This growth was driven by increased lending activity and investments, as well as our commitment to member services and community involvement. Our strong financial performance and dedication to member satisfaction resulted in an increase in our member base. We continued to invest in our employees, technology infrastructure, and operational efficiency to support our growth. Looking ahead, we remain focused on sustainable growth, member satisfaction, and community involvement, confident in our strategic approach and commitment to excellence.

Loan Portfolio

At Sandhills Credit Union, our loan portfolio remained a core component of our operations in 2022. We take pride in supporting our members' financial goals by providing a wide range of loan products and personalized service. Our loan receivables increased from \$49.0 million in 2021 to \$50.9 million in 2022, reflecting our continued commitment to meeting the borrowing needs of our members.

We maintained a diversified loan portfolio, serving various sectors of the community, including consumer loans, residential mortgages, and commercial loans. Our lending activities were supported by prudent risk management practices, including robust credit assessments, regular monitoring of loan performance, and proactive measures to address any potential credit risks.

We also remained focused on providing competitive interest rates and flexible loan terms to ensure affordability and convenience for our members. Our dedicated lending team worked closely with members to understand their unique needs and financial circumstances, providing tailored solutions to help them achieve their goals.

We are proud of our role in supporting our members and the local economy through our lending activities, and we will continue to be a responsible and reliable source of credit for our members while maintaining strong risk management practices to safeguard the credit union's financial stability.

Residential Mortgage Portfolio

Sandhills Credit Union adheres to regulatory guidelines that require additional credit disclosures for our residential mortgage portfolio. Our lending for residential mortgages is limited to a maximum of 80% of the collateral value. However, we do have the option to provide loans with a higher loan-to-value (LTV) ratio, but this requires default insurance. This insurance provides contractual coverage that protects our real estate secured lending portfolio from potential losses due to borrower default. Sandhills currently utilizes Canada Mortgage and Housing Corporation (CMHC) as our provider for mortgage default insurance.

In addition, Sandhills offers Home Equity Lines of Credit (HELOCs) as a form of non-amortizing (revolving) credit, which is secured by residential properties. Unlike traditional residential mortgages, HELOCs do not have a predetermined amortization schedule, although regular minimum periodic payments are required. However, our lending for HELOCs is limited to a maximum of 65% of the collateral value.

To assess the potential impact of an economic downturn, which may lead to an increase in defaults and a decrease in housing prices, Sandhills conducts stress tests. These stress tests utilize historical delinquency and write-off information from the past 5 years. Our results indicate that even in the event of an economic downturn, Sandhills' capital position would be sufficient to absorb any residential mortgage and HELOC losses, ensuring the credit union's financial stability.

Deposit Portfolio

Member deposit accounts at Sandhills Credit Union experienced significant growth, with balances increasing from \$82,460,979 to \$84,567,547. This growth was observed across various types of accounts, including chequing, savings, and investments accounts. This robust growth in member deposit accounts reflects the trust and confidence that our members have placed in Sandhills Credit Union as a reliable financial institution for their banking needs.

Capital Management

The credit union's capital management framework is carefully designed to maintain an optimal level of capital that aligns with regulatory requirements, internal assessment of required capital, and long-term membership value. To ensure compliance with these objectives, adjusted capital policies have been developed and implemented. As part of this strategy, a portion of the credit union's annual earnings is retained to meet the capital objectives.

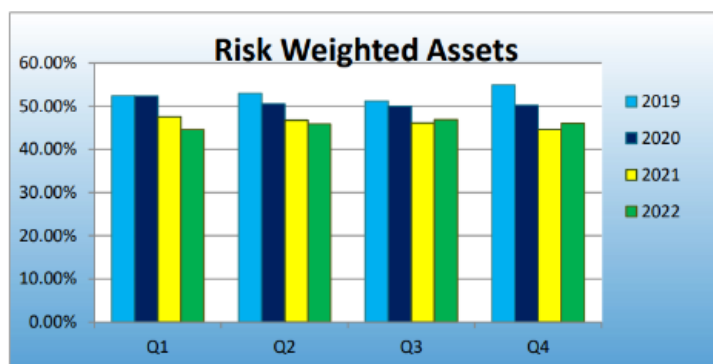
In Saskatchewan, credit unions are subject to capital adequacy guidelines set by the regulator, Credit Union Deposit Guarantee Corporation (CUDGC). These guidelines establish minimum capital requirements that credit unions are expected to maintain and exceed. Sandhills Credit Union's Board of Directors places a high value on maintaining a strong capital position and has established its own minimum requirements that exceed those mandated by the regulator.

The following chart provides an overview of the capital requirement criteria and Sandhills Credit Union's position in relation to these requirements:

Risk Weighted Assets

	Q1	Q2	Q3	Q4
2019	52.37%	53.00%	51.14%	54.88%
2020	52.33%	50.51%	49.97%	50.15%
2021	47.50%	46.77%	46.05%	44.62%
2022	44.61%	45.82%	46.84%	46.02%

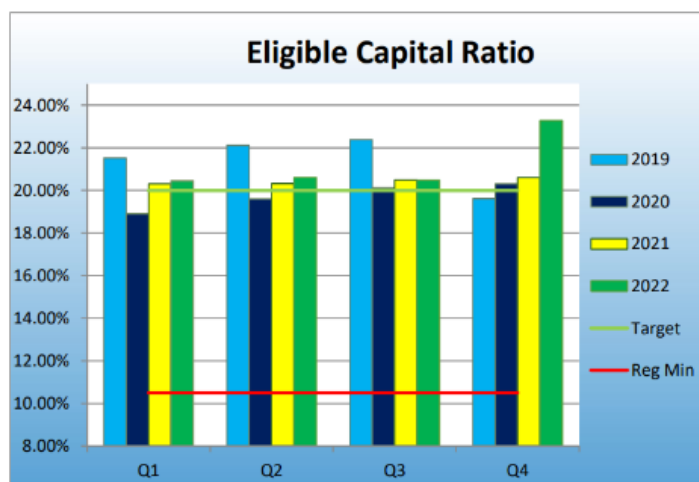
Risk Weighted Assets are the sum of risk weighted on and off balance sheet assets plus a charge for operational risk



Risk Weighted Capital Ratio

	Q1	Q2	Q3	Q4
2019	21.52%	22.11%	22.38%	19.61%
2020	18.90%	19.60%	20.12%	20.31%
2021	20.31%	20.32%	20.50%	20.61%
2022	20.45%	20.60%	20.48%	23.28%
Reg Min	10.50%	10.50%	10.50%	10.50%
Target	20.00%	20.00%	20.00%	20.00%

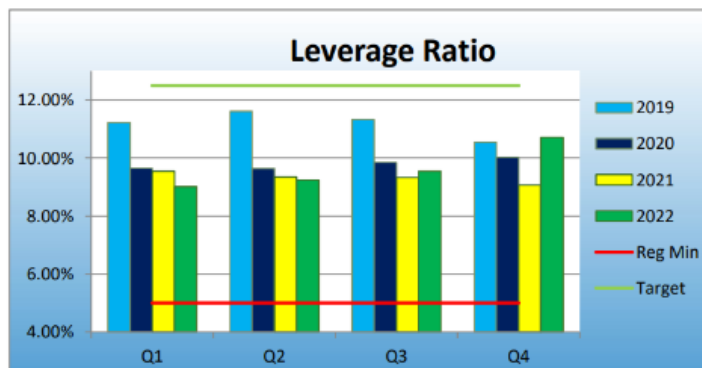
Eligible capital is the sum of the credit union's capital elements (Net tier 1 and tier 2 capital) plus the collective allowance, less deductions for goodwill and intangible assets. The Risk Weighted Capital Ratio is Eligible Capital/Risk Weighted Assets



Leverage Ratio

	Q1	Q2	Q3	Q4
2019	11.23%	11.61%	11.33%	10.55%
2020	9.65%	9.64%	9.84%	10.02%
2021	9.55%	9.34%	9.33%	9.06%
2022	9.01%	9.24%	9.55%	10.71%
Reg Min	5.00%	5.00%	5.00%	5.00%
Target	12.50%	12.50%	12.50%	12.50%

Leverage Ratio/Test is the value of our leverage assets which are total assets less Tier 1 capital deductions plus off-balance sheet exposures (approved loans not disbursed and letters of credit) divided by our eligible capital.



Credit Quality

Our lending portfolio is diverse, well-diversified, and comprehensive, catering to consumer, agriculture, and commercial lending needs. We have a significant number of accounts in consumer non-mortgage and mortgage loans, reflecting our active engagement in providing loans for various consumer needs. We also offer lines of credit to our members, with consumer and agriculture lines of credit, indicating our commitment to supporting ongoing credit needs and the agricultural sector. We have a strong presence in agriculture lending, with both mortgage and non-mortgage loans, showcasing our dedication to supporting the agricultural community. Furthermore, we actively serve the commercial lending segment with a range of products, supporting small businesses and commercial enterprises. Our lending portfolio reflects our commitment to supporting our members and communities while effectively managing risk. We will continue to strive for excellence in meeting our members' borrowing needs.

Credit quality is a critical aspect of risk management that requires constant diligence. The performance of the loan portfolio is a key indicator of the health of the organization. This is assessed through monitoring and review of delinquency and credit quality by the Credit Review Committee on a regular basis, identifying any loans that may be impaired. The Credit Committee also establishes allowances for potential losses, ensuring proactive risk management.

To manage overall credit risk and promote credit diversification, the Credit Union has established credit limits for individual borrowers. The maximum aggregate credit per member is limited to 25% of capital.

As of 2022, the established portfolio mix reflects the Credit Union's commitment to prudent lending practices and risk management.

	Board Policy	Sandhills CU 2022
Consumer	50-70%	59.8%
Agriculture	20-30%	26.4%
Commercial	5-15%	13.8%

Enterprise Risk Management

Sandhills Credit Union is a small rural financial institution that is exposed to various risks. These risks can have potential negative impacts on the credit union's operations and may result in financial loss or harm. Therefore, managing and mitigating these risks is a key priority for the Board of Directors and management. Sandhills Credit Union employs a variety of strategies to address these risks, including the creation and implementation of sound policies, operational processes, audit practices, capital, and liquidity strategies, which are strengths and core to its risk mitigation efforts.

Risk Management Strategies

Policies and Procedures: Sandhills Credit Union has established comprehensive policies and procedures to ensure compliance with laws, rules, regulations, and ethical standards. These policies and procedures provide guidance to employees and help the credit union meet regulatory demands.

Strategic Planning: Sandhills Credit Union has a formal strategic planning process that involves the Board of Directors and Executive management. This process includes a planning session to develop objectives, measures, and key initiatives. Comprehensive reporting to the Board on performance to the strategic plan is presented by management quarterly. All strategies are reviewed regularly, and if necessary, are adapted to meet the changing financial and economic landscape.

Operational Controls: Sandhills Credit Union manages operational risk through its policies along with controls and procedures that are monitored regularly. This includes internal controls to address deficiencies in internal processes, technology failures, human error, employee integrity, and natural disasters. Regular monitoring ensures that operational risks are identified and addressed in a timely manner.

Technology Security: Sandhills Credit Union recognizes the importance of protecting its business data, critical systems, and processes from technical risks. The credit union has controls in place, including employee training and reliance on third-party service partners, to safeguard against potential threats such as data theft, reputation damage, and compliance issues.

Annual Risk Review: The Audit & Risk Committee conducts an annual review of the identified risks with management. This review ensures that effective risk management practices are in place to safeguard the credit union's interests. The committee assesses the effectiveness of the risk mitigation strategies and provides recommendations for improvements as needed. This annual review helps Sandhills Credit Union stay proactive in identifying and mitigating risks to ensure the long-term stability and success of the organization.

Outlook

As we look ahead to 2023, we are optimistic about the future of Sandhills Credit Union and our continued commitment to serving our community. We will continue to prioritize our community-focused initiatives, including our employee volunteer community contribution program, which encourages and rewards our employees and board members for their volunteer work in the local community. We will also strive to further strengthen our position in the financial services industry, leveraging our solid financial performance and the trust and confidence of our members. Additionally, we will continue to invest in technology and innovation to enhance our digital banking offerings and provide our members with convenient and secure banking solutions. We anticipate another year of growth and success, and we look forward to serving our members and making a positive impact in our community in 2023 and beyond.

We are thrilled to announce the return of Miranda in 2023 after her maternity leave. We would like to express our gratitude to Cari for doing an outstanding job in Miranda's absence. Cari will now begin her new role as a Financial Services Officer, where she will be primarily responsible for building relationships with our deposit members and providing holistic advice personalized to their needs. We are confident that Cari's expertise and dedication will greatly contribute to our members' financial well-being.

We are also excited to welcome Trina Steinkey to our Member Service team in 2022, as well as Colleen Siewert who joined us on a full-time basis. These additions to our frontline team have made us stronger and more member-friendly, positioning us for success in 2023.

In addition, Becca and Cyndi both started their new roles in 2022, with Becca as Manager of Audit Compliance and Risk, and Cyndi as our new Service, Support, and Administration Officer. These operational changes will further enhance our efficiency and effectiveness in the year ahead.

We extend our appreciation to all our team members for their contributions and dedication to serving our members and community.

We extend our heartfelt gratitude to our members, employees, and community for another successful year at Sandhills Credit Union. Your trust and support are truly appreciated. We eagerly anticipate another year of community-focused initiatives, employee development, and growth. Thank you for your ongoing support as we strive to deliver exceptional financial services to our members in 2023.



Management Discussion and Analysis

Corporate Structure and Governance

Board of Directors

Our Credit Union is guided by a Board of Directors that is elected by our members. The Board holds itself accountable for providing leadership in shaping the Credit Union's long-term strategic direction, while continuously creating and maintaining value for our members and the communities we serve. We deeply appreciate the important role that partner agencies play in ensuring fair practices, protecting consumers, and maintaining a level playing field with competitors, and we respect their contribution. Furthermore, we are fully committed to adhering to the regulations and guidelines set forth by the Government of Saskatchewan, Credit Union Deposit Guarantee Corporation, Credit Union Act 1998, The Standards of Sound Business Practice, as well as our own Bylaws and policies.

Board of Directors April 2022 – April 2023		
Name	Years of Service	Term Expiry
Gord Kuntz	12	2023
Joe Dirk	4	2025
Deb Tondevold	22	2024
Elizabeth Heatcoat	9	2023
James Sifert	14	2025
Colette Wenzel	2	2024

Board Composition

Directors, who are elected, serve three-year terms. In April 2022, 2, three-year terms were filled by James Sifert and Joe Dirk, all by acclamation.



Gord Kuntz



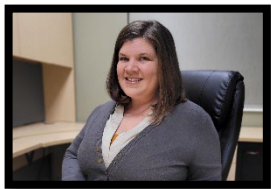
Joe Dirk



Deb Tondevold



James Sifert



Elizabeth Heatcoat



Colette Wenzel

Mandate and Responsibilities

The Board of Directors governs on behalf of the members with a clear distinction of roles between the Board and the CEO. The Board maintains policies that are responsive to the financial success of the credit union, the needs of its members and designed to maximize the potential for the long-term viability of the organization.

Director Training

Sandhills Credit Union is committed to the on-going professional development of its directors and has established policies that provide the financial resources to do so.

Director Committees

The Board of Directors sound governance is ensuring that members of the Board have equal access to all information, discussion and options requiring Board approval and therefore takes a wholistic approach to the use of committees. However, to ensure compliance with governing legislation, the following Board committees have been appointed:

Executive Committee: The executive committee is comprised of the President, Vice-President, Secretary, and Treasurer (CEO) of the credit union. Their responsibility is to act in the capacity of, and on behalf of the Board of Directors between regular and special board meetings. Gord Kuntz, Elizabeth Heatcoat and Joe Dirk, all serve on this committee.

Audit and Risk Committee: The purpose of the Audit committee is to ensure an independent review of the credit union's operations on areas deemed necessary to maintain the integrity of financial data, adequacy of internal controls, and adherence to requirements of The Credit Union Act, 1998, The Credit Union Regulations, 1999, and the Standards of Sound Business Practices. All directors serve on the committee.

Conduct Review Committee: The Conduct Review Committee ensures that Sandhills Credit Union acts with the full integrity and objectivity of its directors and employees, by having in place policies, processes and practices that protect people and the organization from claims and from the perception of unfair benefit or conflict of interest. Deb Tondevold, Colette Wenzel and Joe Dirk, all serve on the committee.

Human Resource Committee: The Human Resources Committee oversees the performance and activities of the CEO, reviewing performance, establishing compensation, and maintaining up to date qualifications and a position description for the CEO. All directors serve on the committee.

Nominating Committee: The Nominating Committee oversees the nomination and election processes for the election of Credit Union directors. The committee is comprised of Gord Kuntz, Deb Tondevold,

Elizabeth Heatcoat, Colette Wenzel. The minutes of its meetings are submitted to the Board and the committee reports to the Board during regular Board meetings.

Sandhills Credit Union directors receive remuneration for items related to Sandhills Credit Union business or training. Allowable expenses include those for meetings, travel, meals, accommodations, mileage, and training. In addition, Sandhills Credit Union pays insurance premiums on behalf of the directors. In 2021, the remuneration amount that was paid was \$20,250. Directors were reimbursed an additional \$1,868.16. for mileage expenses.

Evaluation

A board evaluation is a method for the Board of Directors to verify the Board is meeting expectations, making progress toward goals, and following policies and bylaws. It is also an opportunity for the Board to gather feedback on future development and training needs. The Board reviews its policies that address Board behavior and performance at a minimum every three years to ensure they accurately reflect expectations. Compliance with these policies is assessed regularly throughout the year.

Executive Management



Becky Ellis

Chief Executive Officer



Nicole Stimson

Chief Operating Officer



Pam Ristau

Manager of Lending

Sandhills Insurance Agency



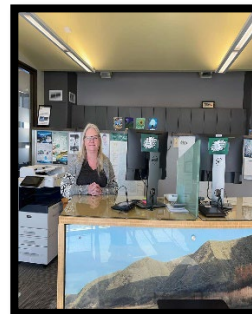
Shelley Fuchs



Carma Besplug



Jenna Wagner



Dawn Fehr



Sandhills Credit Union Employees

Member Service Team



Cora Walker



Trina Steinkey



Colleen Siewert



Penny Sheldon

Lending Team



Jessica Feiffer



Bobbi Sitter



Miranda Hanna



Cari Wilkinson

Administration and Compliance



Rebecca Eastwood



Cynthia Smith

Senior Leadership



Becky Ellis



Nicole Stimson



Pam Ristau



Credit Union Market Code

Sandhills Credit Union voluntarily adheres to the Credit Union Market Code. This code has been jointly developed by Saskatchewan credit unions, SaskCentral, and Credit Union Deposit Guarantee Corporation to ensure the protection of credit union members.

The code sets forth the guidelines for the following areas:

Fair Sales– Sandhills Credit Union’s actions and decisions regarding member advice, information and recommendations are objective and reflective of the financial needs and the roles and responsibilities of the member and the credit union. Sandhills Credit Union is committed to providing relevant and meaningful information about products and services to enable members to make informed decisions.

Transparency and Disclosure- Sandhills Credit Union is open and honest in its dealings with existing and potential members. General information is provided about the rights and obligations that arise out of a relationship a member has, relative to the financial services Sandhills Credit Union provides.

Professional Standards for Employees- Sandhills Credit Union is committed to employee development, education, professional designations and/or accreditation standards where appropriate. Business is conducted in a manner that maintains a strong reputation by exercising reasonable, prudent, and professional judgment in the provision of products and services.

Privacy- Sandhills Credit Union protects the interests of members by ensuring all member/client information is kept confidential and used only for the purpose for which it was gathered.

Complaint Handling- Sandhills Credit Union has an established internal complaint handling process that provides timely and responsive service to member’s complaints.

Low Fee Accounts- Sandhills Credit Union offers a basic banking account that will accommodate all persons. A low fee account is an option for individuals who conduct limited monthly transactions

Co-Operative Principles

Sandhills Credit Union is guided by the seven internationally recognized principles of co-operation:

Open and Voluntary Membership- Co-operatives are voluntary organizations, open to all people able to use its 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, those who buy the goods or use the services of the co-operative, who actively participate in setting policies and making decisions.

Members' Economic Participation- Members contribute equally to, and democratically control, the capital of the co-operative. This benefits members in proportion to the business they conduct with the co-operative rather than on the capital invested.

Autonomy and Independence- Co-operatives are autonomous, self-help organizations controlled by their members. If the cooperative enters into agreements with other organizations or raises capital from external sources, it is done so based on terms that ensure democratic control by the members and maintains the co-operative’s autonomy.

Education, Training, and Information- Co-operatives provide education and training for members, elected representatives, managers and employees so they can contribute effectively to the development of their co-operative. Members also inform the general public about the nature and benefits of co-operatives.

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

Concern for Community- While focusing on member needs, cooperatives work for the sustainable development of communities through policies and programs accepted by the members

SANDHILLS CREDIT UNION
LEADER, SASKATCHEWAN
INDEPENDENT AUDITORS' REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

INDEPENDENT AUDITORS' REPORT



**To the Members,
Sandhills Credit Union**

Opinion

We have audited the consolidated financial statements of **Sandhills Credit Union** and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statements of changes in members' equity, comprehensive income and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Credit Union as at December 31, 2022, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Information Other than the Consolidated Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

INDEPENDENT AUDITORS' REPORT continued

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

March 28, 2023
Saskatoon, Saskatchewan

Virtus Group LLP
Chartered Professional Accountants

MANAGEMENT'S RESPONSIBILITY COMMUNICATION

**To the Members,
Sandhills Credit Union**

Management has responsibility for preparing the accompanying financial statements and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and making objective judgments and estimates in accordance with International Financial Reporting Standards.

In discharging its responsibilities for the integrity and fairness of the financial statements and for the accounting systems from which they are derived, management maintains the necessary system of internal controls designed to provide assurance that transactions are authorized, assets are safeguarded and proper records are maintained.

Ultimate responsibility for financial statements to members lies with the Board of Directors. An Audit and Risk Committee of Directors is appointed by the Board to review financial statements in detail with management and to report to the Board of Directors prior to their approval of the financial statements for publication.

Independent auditors appointed by the members audit the financial statements and meet separately with both the Audit and Risk Committee and management to review their findings. The independent auditors report directly to the members and their report follows. The independent auditors have full and free access to the Audit Committee to discuss their audit and their findings as to the integrity of the Credit Union's financial reporting and the adequacy of the system of internal controls.

Complete financial statements are available upon request.



Becky Ellis
General Manager




James Sifert
Chair of Audit and Risk Committee

SANDHILLS CREDIT UNION
SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022
(with comparative figures for 2021)

ASSETS		
	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 6,577,146	\$ 12,371,331
Investments	35,375,445	28,490,439
Loans receivable	50,928,587	48,990,334
Other assets	1,427,970	439,536
Property and equipment	1,380,342	1,443,819
	<u>\$ 95,689,490</u>	<u>\$ 91,735,459</u>
LIABILITIES		
Deposits	\$ 84,567,547	\$ 82,460,979
Other liabilities	720,533	547,640
Shares	7,390	7,245
	<u>85,295,470</u>	<u>83,015,864</u>
MEMBERS' EQUITY		
Retained earnings	10,394,020	8,719,595
Accumulated other comprehensive income	-	-
	<u>\$ 95,689,490</u>	<u>\$ 91,735,459</u>

A full set of the audited financial statements is available from the Credit Union.

APPROVED BY:

 Director

 Director

SANDHILLS CREDIT UNION
CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022
(with comparative figures for the year ended December 31, 2021)

	<u>2022</u>	<u>2021</u>
Retained earnings - beginning of year	\$ 8,719,595	\$ 8,343,834
Net income	<u>1,674,425</u>	<u>375,761</u>
Retained earnings - end of year	<u>\$ 10,394,020</u>	<u>\$ 8,719,595</u>
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Accumulated other comprehensive income - beginning of year	\$ -	\$ -
Other comprehensive income	<u>-</u>	<u>-</u>
Accumulated other comprehensive income - end of year	<u>\$ -</u>	<u>\$ -</u>
 TOTAL EQUITY	 <u><u>\$ 10,394,020</u></u>	 <u><u>\$ 8,719,595</u></u>

"See Accompanying Notes"

SANDHILLS CREDIT UNION
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022
(with comparative figures for the year ended December 31, 2021)

	<u>2022</u>	<u>2021</u>
Interest revenue		
Loan	\$ 2,071,014	\$ 2,103,302
Investment	1,657,123	278,119
	<u>3,728,137</u>	<u>2,381,421</u>
Interest expense		
Borrowed money	1,971	593
Member deposits	312,936	330,510
Patronage allocation	-	(1,360)
	<u>314,907</u>	<u>329,743</u>
Net interest	3,413,230	2,051,678
Provision for credit losses	<u>201,842</u>	<u>21</u>
Net interest after provision for credit losses	<u>3,211,388</u>	<u>2,051,657</u>
Other income	<u>1,002,866</u>	<u>826,391</u>
Operating expenses		
General business	1,085,345	1,015,051
Occupancy	122,630	109,582
Organizational	56,847	78,648
Personnel	1,047,004	1,186,403
Security	85,504	74,576
	<u>2,397,330</u>	<u>2,464,260</u>
Income before income taxes	1,816,924	413,788
Income taxes (Note 17)		
Current	172,999	36,127
Deferred (recovery)	(30,500)	1,900
	<u></u>	<u></u>
Net income before other comprehensive income	<u>1,674,425</u>	<u>375,761</u>
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	<u><u>\$ 1,674,425</u></u>	<u><u>\$ 375,761</u></u>

"See Accompanying Notes"

SANDHILLS CREDIT UNION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
(with comparative figures for the year ended December 31, 2021)

	<u>2022</u>	<u>2021</u>
Cash provided by (used in) operating activities:		
Net income	\$ 1,674,425	\$ 375,761
Items not involving cash:		
- Amortization	113,477	101,853
- Provision for credit losses	201,842	21
Net change in other assets and other liabilities	(815,541)	(109,879)
	<u>1,174,203</u>	<u>367,756</u>
Cash provided by (used in) investing activities:		
Investments	(6,885,006)	(8,304,787)
Loans receivable	(2,140,095)	1,103,656
Property and equipment	(50,000)	(68,571)
	<u>(9,075,101)</u>	<u>(7,269,702)</u>
Cash provided by (used in) financing activities:		
Deposits	2,106,568	12,061,864
Shares	145	160
	<u>2,106,713</u>	<u>12,062,024</u>
Increase (decrease) in cash	(5,794,185)	5,160,078
Cash position - beginning of year	<u>12,371,331</u>	<u>7,211,253</u>
Cash position - end of year	<u>\$ 6,577,146</u>	<u>\$ 12,371,331</u>

"See Accompanying Notes"

SANDHILLS CREDIT UNION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(with comparative figures for the year ended December 31, 2021)

1. Incorporation and governing legislation

Sandhills Credit Union is a for profit corporation governed by *The Credit Union Act, 1998* in the Province of Saskatchewan, Canada. The Credit Union's registered office is located in Leader, Saskatchewan. The Credit Union provides financial services to customers through branches in Leader and the surrounding area.

In accordance with *The Credit Union Act, 1998*, Credit Union Deposit Guarantee Corporation (CUDGC) regulates all credit unions in Saskatchewan. CUDGC establishes Standards of Sound Business Practices, provides regulatory guidance and guarantees the repayment of all deposits, including accrued interest. If a credit union is not in compliance with the standards or regulatory guidance, CUDGC has the authority to take necessary action, which may include reducing or restricting the credit union's authorities and limits, taking preventative actions, issuing a compliance order, placing the credit union under supervision or administration, or issuing an amalgamation order.

2. Basis of preparation and statement of compliance

The consolidated financial statements have been prepared in accordance with Part I of the CPA Canada Handbook - International Financial Reporting Standards (IFRS). The financial statements comply with IFRS adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were approved by the Board of Directors on March 28, 2023.

The consolidated financial statements have been prepared on the historical cost basis, except for certain investments which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability the Credit Union takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for measurements that have some similarities to fair value, but are not fair value, such as value in use on impairment.

The Credit Union follows a fair value hierarchy to categorize the inputs used to measure fair value into Level 1, 2 or 3 based on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

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



Nominating Committee Report

The nominating committee met on March 23, 23 to review the existing director terms and timelines as listed below, identifying that there would be 3 open positions in 2023.

Elizabeth Heatcoat – Term Expiration April 2023

James Sifert – Term Expiration April 2022

Debbie Tondevoid – Term Expiration April 2024

Collette Wenzel – Term Expiration April 2024

Joe Dirk – Term Expiration April 2022

Gord Kuntz – Term Expiration April 2023

Open Position

Timeline - Annual General Meeting – Wednesday April 26th, 2023

February 17 th to 28 th	Contact Potential Nominees
March 23 rd	2 nd Nomination Committee Meeting
March 1 st	Open Nominations (minimum 30 days prior to Voting Period)
April 5 th	Notice of Annual Meeting (minimum 21 days prior to AGM)
April 5 th	Financial Statement Available (minimum 21 days prior to AGM)
March 28 th	Close Nominations (minimum 7 days prior to Voting Period)
March 29 th	List of Nominees
April 5 th to 12 th	Voting Period (7-21 days - must close <28 or >7 day from AGM)
April 13 th	Count Ballots (by Returning Officer prior to the AGM)
April 26 th	Annual General Meeting (announce successful candidates)
April 26 th	Resolution for Destruction of Ballots at AGM (if needed)
April 27 th	Re-organizational Meeting
April 27 th	Back-up Annual General Meeting

To fill the 3 vacant positions, we held the nomination period between March 1st and March 28th. This was advertised on our website, Facebook Page, the Sandhills Connections newsletter, on our indoor and outdoor digital signage at the branch and on our community board in the ATM lobby. We received 3 Director Nominations.

Given that there were 3 nomination papers submitted during this period, with 3 spots to fill an election was not required. Gord Kuntz, Elizabeth Heatcoat and Tina Madge thereby have been acclaimed to the board.

Deb Tondevoid, on behalf of the Nominating Committee

**ANNUAL MEETING OF THE MEMBERS OF
SANDHILLS CREDIT UNION**

1. Proof of Notice:)	
)	
CANADA)	I, Becky Ellis, of the town of
)	Leader, in the Province of Saskatchewan
)	Treasurer of the Sandhills Credit
)	Union
PROVINCE OF SASKATCHEWAN)	


TO WIT:

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


NOTICE Timelines of notices and financial reports were as follows:

February 17 th to 28 th	Advertisement seeking directors posted on Facebook, indoor and outdoor digital screens, and community boards in our lobby and other community business boards.
April 5 th	Notice of Annual Meeting on Facebook, website, our Sandhills Newsletter, indoor and outdoor digital screens, and community boards in our lobby and other community business boards.
April 5 th	Financial Statement Available in branch and on website

Sworn before me at the Town of
Leader, in the province of
Saskatchewan this 5 day of April, 2023



CEO, Becky Ellis


BOBBI HAGGART-SITTER
A Commissioner for Oaths for Saskatchewan
My appointment expires Feb 28, 2025

2. **QUORUM:**

We are pleased to report that there are _____ members and _____ visitors present at the meeting. Thereupon the Chairman announced that legal notice of the meeting had been given, that a quorum was present, and that the meeting was now regularly and lawfully convened and ready to transact business.



**2023
SANDHILLS
CREDIT
UNION
BOARD OF
DIRECTORS**



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CREDIT UNION DEPOSIT GUARANTEE CORPORATION
ANNUAL REPORT MESSAGE 2022

January 2023

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

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

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