

2023 Annual Report

Sudbury Credit Union
Community Banking Services



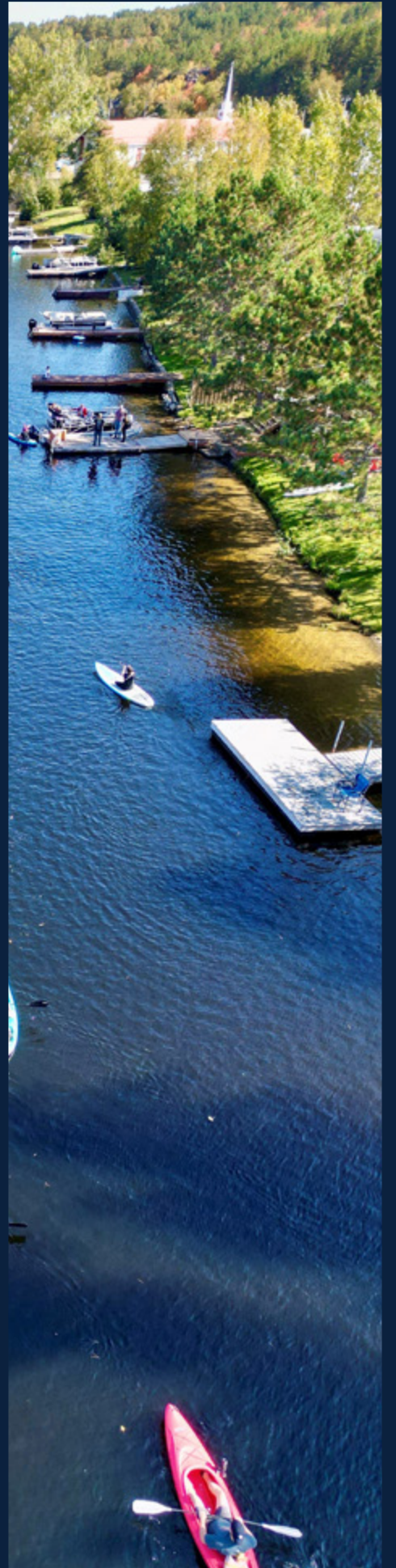
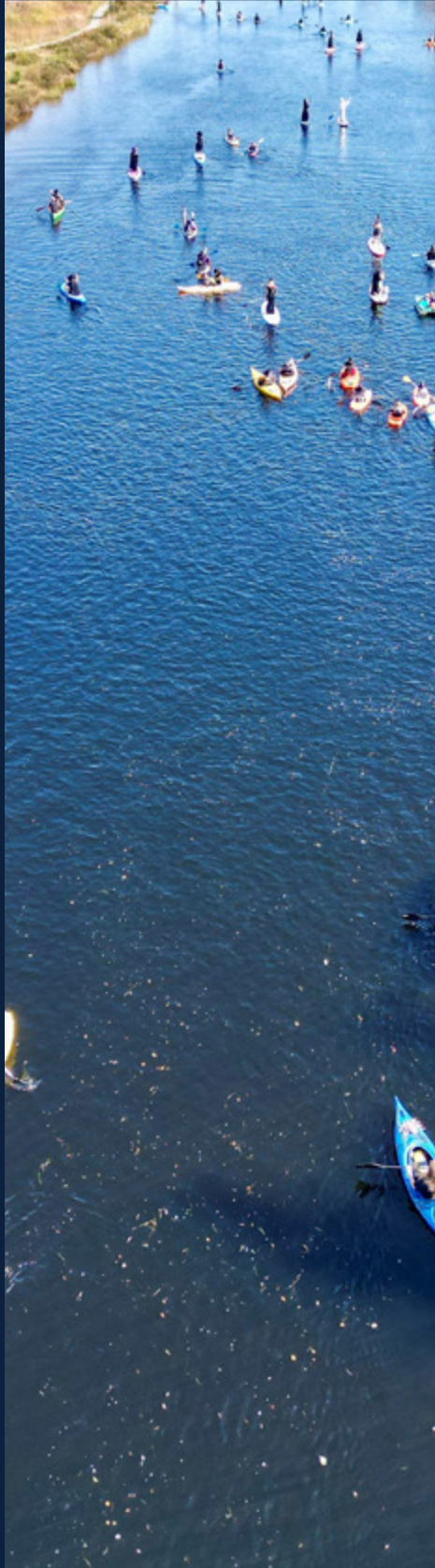


Table of Contents

Community Minded...Just like you.	3
Hike for Hospice	4
People Helping People	5
SCU Charity Grill	6
A message from our Chief Executive Officer	7
A message from our Board Chairperson	9
Meet our Board of Directors	11
2023 Meeting Attendance	12
A look at our Key Financial Results	13
Report of the Audit Committee	16
Report of the Independent Auditors on the Summary Financial Statements	17
Summary Financial Statements	18
Note to Summary Financial Statements	22

Community Minded... *Just like you.*



\$186,453

Donated to local organizations and charities in 2023



70

Organizations and charities in Sudbury supported by SCU in 2023



1



2



3

1. A surprise donation of \$5,000 to the Sudbury Women's Centre.
2. The unveiling of the Sudbury Credit Union Theatre at the Sudbury Indie Cinema Co-Op with a sponsorship of \$20,000.
3. A donation of \$5,000 to the Sudbury Food Bank's annual Edgar Burton Christmas Food Drive.

Hike for Hospice

May 7, 2023



\$25,000
Donated by SCU

For the past 4 years, SCU has proudly been the title sponsor of the Hike for Hospice in support of the Maison McCulloch Hospice. This annual event raises funds for palliative care in our community, and is also an opportunity for attendees to honour the memory of their loved ones who have lived their last days at the hospice.



People Helping People

Our staff are always willing to support local charities, help raise awareness for important causes or show their support for our community.

1. Branches collected bras as part of the Sudbury Women's Centre's BOObie Bra Drive.
2. Staff rocked their socks in recognition of World Down Syndrome Day.
3. Staff wore pink for Breast Cancer Awareness.
4. National Day for Truth and Reconciliation.



SCU Charity Grill

June 23, 2023
Minnow Lake Branch



\$6,908.11

Raised for Camp Quality Northern Ontario

The SCU Charity Grill in Support of Camp Quality Northern Ontario is an annual event organized by our staff. We were thrilled to have it return this year and receive such tremendous support from the community!



A message from our Chief Executive Officer

Sudbury Credit Union is a registered limited company, provincially regulated under the Credit Unions and Caisses Populaires Act. But much more than that, Sudbury Credit Union is a cooperative. As defined by Wikipedia:

A cooperative is "an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically-controlled enterprise". Cooperatives are democratically controlled by their members, with each member having one vote in electing the board of directors. Cooperatives may include consumer cooperatives: businesses owned and managed by the people who consume goods and/or services provided by the cooperative.

We, the members, employees and directors of Sudbury Credit Union, work together for the good of each other and our community. Profit is not our main goal. People helping people is at our core. It is why we exist.

The employees of this cooperative work to look after the financial needs of members. This is done by building strong, long-lasting relationships with the members. The abundance of financial service providers can create a challenge to developing those relationships, as often times we don't have the complete picture. But by engaging in meaningful conversations with our members, those strong bonds are created.

Our members' financial health was our primary concern for 2023. The high interest rate environment and higher cost of living cause financial pressures for many people. We proudly work together with our members to find solutions to ease that pressure. In 2023 loan losses were just over \$140,000, which was much lower than anticipated. It is important that our members talk to us about their financial struggles. When our members work with us, it is then that we can

cooperate and find positive outcomes.

Looking after the financial needs of our members extends beyond providing the products and services we offer. It includes protecting members from hackers and fraudsters. It includes safeguarding not only the actual money under our custody, but also our members' personal information. It includes ensuring a foundationally strong organization that is well capitalized, with adequate liquidity to respond and conduct business accordingly.



Unfortunately, fraud is an industry all unto itself, and fraudsters are extremely good at their job. They are able to instill urgency and fear in the minds of their victims. A complete stranger can convince someone to take action which is not in their best interest. Updating ourselves with information on the latest scams and possible ways our members could be harmed, is keenly important. All SCU employees receive appropriate and frequent training. We inform our membership to the best of our ability by posting information on our website, and social media, as well as with in branch notices and conversations by staff. This includes our employees working with members one-on-one to prevent grandparent scams, romance scams, and inappropriate wire transfers by asking members questions about transactions. Some members take offense, and think we are prying. However, we are doing our best to look after the financial needs of the member.



To help prevent online fraud, we have strong password requirements, and two-step authentication for online banking. We urge members to set up all of the available alerts and remind them to never share their banking information and passwords with anyone. Preventing hackers is a group effort. Employees also know the importance of safeguarding our systems and the personal information we hold in our custody, and they receive weekly reminders as well as annual testing.



As an organization, this credit union is financially strong, and positioned well. We have resources which enable us to expand service offerings to our members. We continue to work with credit union system partners to update and add to online and digital services, while maintaining our in-branch service at six locations. In 2024 we look forward to introducing a Debit Mastercard, which is a product many members have been requesting. We will also be offering members online account opening for those who cannot attend a branch. Internally we continue to strengthen the framework and safeguards of our infrastructure to properly and securely conduct business in this digital information environment.

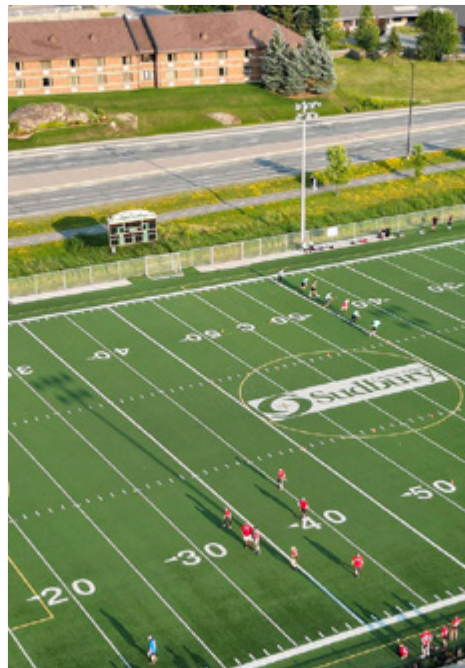
Our Board of Directors have provided stewardship and leadership which strategically sees this organization remain as *Sudbury's* Credit Union. We are deeply rooted in this community, and helping local people and local businesses will remain our

focus. On behalf of all employees, I thank our Directors for this insight and direction.

Our employees, whether working in the back offices or working directly with members, are committed to providing personal, knowledgeable and courteous service. My sincere thanks to employees, our SCU family, for the care and concern they have for each other and for their members.

Collectively, we thank our members, who have chosen to join this cooperative. We all own Sudbury Credit Union. While you can have financial services from a variety of different places, your decision to bank here means you have done something good with your money. You are supporting a truly local company which provides meaningful jobs, and caring financial services, and which reinvests in this community where we all live.

Mimi Regimbal,
Chief Executive Officer



A message from our Board Chairperson

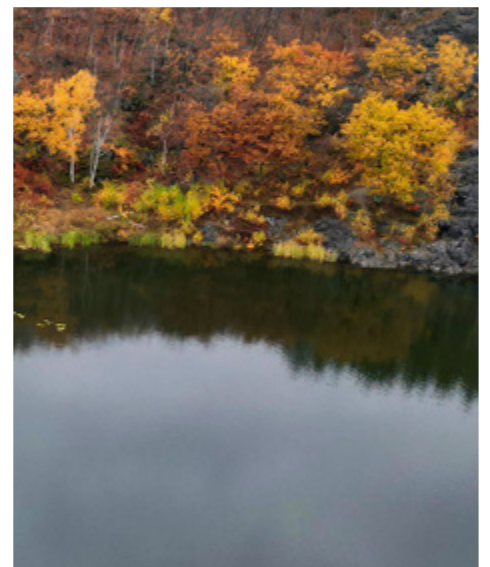
To the Members of Sudbury Credit Union,

I am pleased to highlight the Board of Director's 2023-2024 commitment to governance, risk management, and strategic planning. It is my determination that your Board has provided effective oversight of the decisions, plans, processes and policies presented by Sudbury Credit Union's Senior Management, and as implemented by Management and Staff. As stewards of your financial cooperative, we all remain dedicated to serving the Membership and the local community.

In September 2023, the Financial Services Regulatory Authority (FSRA) hosted Directors with a new, annual Credit Union Directors Conference. Sudbury Credit Union was well represented, where high standards of business conduct and transparency within the financial services were discussed. The communicated message was to

develop self-regulating, principles-based boards within the credit union sector. Your Board of Directors continue to hold this responsibility as a top priority. The Board further initiated communication and consultation with the FSRA relationship manager. These objectives establish communication channels, and demonstrates the Board's dedication to regulatory standards.

Throughout 2023 and into 2024, the Board approved changes to various policies to reflect the complex and fluid regulatory environment. Each policy is reviewed cooperatively with Senior Management, with core attention to supervise risk on behalf of all Members. We prioritize ongoing training to stay informed of industry developments and regulations. Prominently, our commitment to IT security and concerns for safe and reliable member transactions align with FSRA's IT Risk Management Guidance, becoming effective in April 2024.



With an eye towards the Bank of Canada ending its policy of quantitative tightening, the Board and Senior Management closely monitor the evolving economic landscape. By regularly attending economic webinars and conferences, factors such as decreasing inflation rates, interest rate adjustments, open banking legislation, and the potential impact on our local Members and community remain at the forefront of our discussions.

In the spring of 2023, the Board and Senior Management initiated a longitudinal approach to the development of the next strategic plan. Beginning in June, we engaged in a comprehensive review and evaluation of our credit union principles. In October we collaborated and conducted exercises to develop possible strategic directions. In May of this year, we will review and finalize a proposed strategic plan for 2025 – 2028 that will guide our future actions and decisions. Throughout this year long process, we remained committed to our local roots, emphasizing our dedication to supporting local member organizations and the financial needs of our members. Our Intern Director has made

valuable contributions to strategic planning and reflection to on-boarding processes. This unique program has garnered recognition from sector colleagues, which promotes youth talent and fresh perspectives.

To summarize, the Board has implemented measures to safeguard Members' interests, embrace innovation, prioritize cybersecurity, all while staying true to our foundational ethos of cooperation. Moving forward, we are committed to evolving and adjusting to future Members' shifting needs within the changing economic climate. The Board of Directors bears the responsibility to delve into these matters, pose challenging inquiries, and perform thorough assessments to secure the enduring success of Sudbury Credit Union. The Board and I are grateful for your confidence and backing as we navigate the future together. Sudbury Credit Union maintains its reputation as a robust, proactive, and locally-rooted financial cooperative.

David Vares,
Chairperson

Our Mission

With pride and excellence, Sudbury Credit Union is dedicated to identifying and fulfilling your financial needs and those of our community.

Our Vision

Committed to the well-being of our employees, our members and our community.

Our Values

We are approachable; dependable; fair; ethical; professional; trustworthy... we are people helping people.

Meet our

Board of Directors



David Vares
Chairperson



Lindsay Liske
Vice Chairperson



Leo Racette
Past Chairperson



Bette Choquette
Secretary



Michael Bellmore
Director



Jamie Conroy
Director



Pat Marcuccio
Director



Grace Navarro
Director



Lise Roy
Director



P.J. Sarazin
Intern Director

As per the Credit Union and Caisse Populaires Act, 2020, section 103: "The board of every credit union shall report annually on the gender diversity of the board."

Sudbury Credit Union Board of Directors includes four female and six male directors.

Meeting Attendance

Director	Board & Committee Meetings Attended
Michael Bellmore Director	12/13
Bette Choquette Secretary	18/18
Jamie Conroy Director	14/14
Lindsay Liske Vice Chairperson	19/19
Pat Marcuccio Director	11/14
Grace Navarro Director	13/14
Leo Racette Director	18/18
Lise Roy Director	12/13
David Vares Chairperson	14/14 + 7 additional meetings as ex-officio

Director Annual Remuneration

The 2023 honorarium by role is as follows:

Role	Honorarium
Chairperson	\$5,968
Vice Chairperson	\$4,642
Secretary	\$4,642
Director	\$3,316

In addition to the honorarium noted above, directors receive \$200 for each meeting attended.



A look at our Key Financial Results

2023 Highlights



\$563M
Total Assets



\$21.5M
Increase in
Total Assets



\$6.3M
Increase in
Member Loans



\$18.8M
Increase in
Member Deposits



\$2.8M
Net Income

Balance Sheet

In 2023, Sudbury Credit Union's total assets increased by \$21.5 million from \$541 million. At the end of the year, total assets were \$563 million, representing a growth rate of 4.0%, above the 2023 financial plan.

Member deposits continued to grow through the high-rate environment while loan growth slowed. The Balance Sheet remained strong, with member deposits funding 100% of member loans.

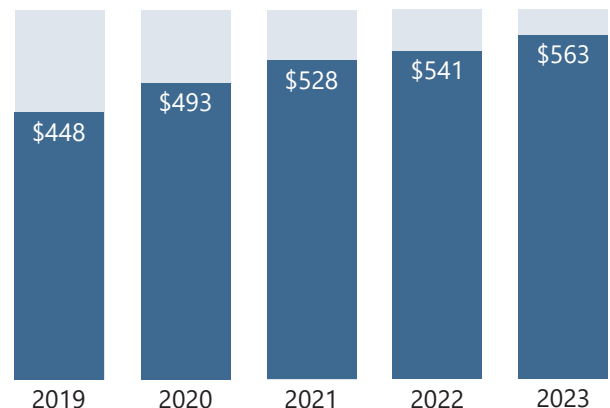
Member Loans

Loans to members increased by \$6.3 million or 1.5%, with growth in both retail and business lending. This growth was low compared to plans and left a higher-than-expected balance in cash and investments.

Member Deposits

Member deposits increased by \$18.8 million, or 3.9%. 2023 saw a continued shift of member deposits from chequing and savings accounts to term investments. The high rate environment also resulted in members moving investments from off-balance sheet mutual funds into guaranteed investments held at SCU.

Assets (in millions)



Members' Equity and Regulatory Capital

Members' equity increased by \$3.1 million. Net income of \$2.8 million was reinvested into equity via retained earnings, boosting capital and keeping SCU well-positioned to address economic uncertainties. Regulatory capital improved by \$3.0 million, and this, coupled with modest asset growth, ensured that SCU remained well above the required regulatory ratios.

Regulatory Capital Ratios

	2023	Regulatory Minimum
Tier 1 Capital	21.0%	6.5%
Retained Earnings to Risk Weighted Assets	19.0%	3.0%
Total Capital	21.6%	8.0%
Capital Conservation Buffer	13.6%	2.5%
Total Supervisory Capital	21.6%	10.5%
Capital Leverage	9.1%	3.0%

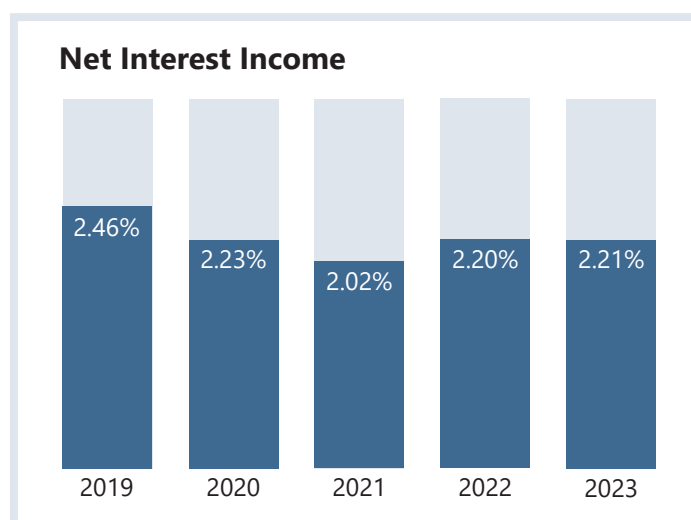
Income Statement

Net Interest and Non-Interest Revenue

Net interest income was \$12.2 million, 2.21% of average assets. The ratio remained steady, illustrating that income grew proportionately with assets. The continued rising rate environment positively affected revenue at the start of the year; however, increased term deposit purchases and high deposit rate competition in the latter half of 2023 began to negatively impact net interest income in the last quarter. Overall, net interest

income for 2023 was strong but is expected to decline as a percentage of average assets in 2024.

Non-interest revenue declined by \$230 thousand to \$1.96 million.



Provision for Credit Losses

The loan loss expense for 2023 was negative \$47 thousand. While SCU experienced some loan losses in 2023, SCU reduced the amount set aside for future loan losses. The loss provision was held high over the past few years to prepare for the impact of high loan rates and uncertain economic conditions. While these conditions still exist, to date, SCU has focused on working with members to manage the environment, and this effort and flexibility should assist in managing loan losses to historical levels.

Operating Expenses

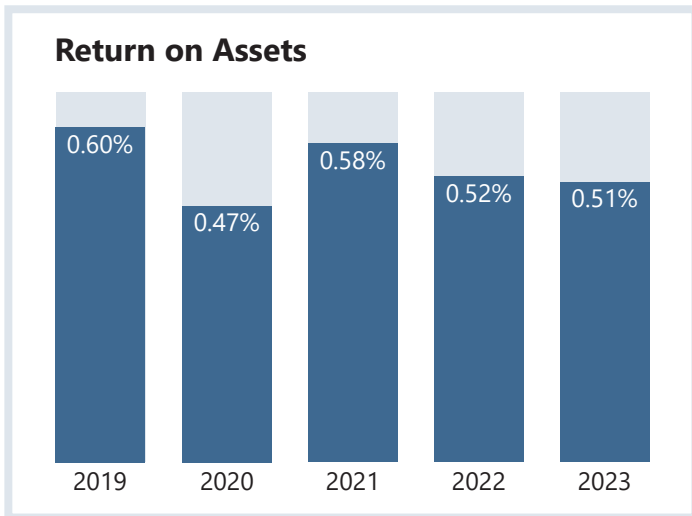
Operating expenses increased by \$348 thousand, or 3.4%, at a slower rate than assets despite inflationary pressures and increased technology spending. SCU continues to put considerable effort into controlling costs and generating efficiencies.

Key Financial Results continued

Net Income

Net income was solid at \$2.8 million. Stable net interest income and negative loan loss expense helped offset the lower other income and rising general costs. The 2023 return on average assets was 0.51%, inline with 2022.

Overall, SCU's controlled growth of the balance sheet lead to a solid 2023 financial performance.



For more information, see the Summary Financial Statements on page 17.



Report of the Audit Committee

Sudbury Credit Union Limited's Audit Committee was formed pursuant to the Credit Unions and Caisses Populaires Act, 2020 (Ontario) ("Act"). The committee, composed of Board of Director members, has oversight responsibility for the Credit Union's financial reporting, risk management, ethics and compliance requirements. Written terms of reference prescribe the committee's objectives and responsibilities and how it functions. The committee met throughout the year to receive reports from management, internal audit, and KPMG LLP, our external auditors.

The committee met four times in 2023, and completed the following activities:

1. Reviewed and made recommendations to the Board of Directors regarding the annual external audit engagement letter, scope and plan of the audit,
2. Reviewed and approved the Audited Financial Statements and notes prior to Board approval,
3. Approved the Annual Internal Audit Plan and reviewed the Internal Audit reports to gain an understanding of important elements of internal controls that are important to safeguarding the assets of Sudbury Credit Union,
4. Reviewed all audits by external stakeholders and approved Management's response to them for any identified areas of risk, and
5. Reviewed the Credit Union's risk management policies and assessments of risk to ensure processes were in place to measure, monitor, manage and mitigate significant risk exposures including appropriate policies, procedures and controls.

These activities were performed to ensure the proper safeguarding of the Credit Union. Based on its reviews and findings, the Audit Committee made recommendations to the Board of Directors and Management, and followed up to ensure that the recommendations were considered and implemented, as appropriate.

The Audit Committee is pleased to report to the members that the committee is functioning in accordance with the Act. Through the full co-operation and support of management, it continues to play an effective role in assuring the quality of financial reporting, risk management, ethics and compliance requirements, thus, enhancing overall operational control of the Credit Union.

There are no significant recommendations made by the Audit Committee that have not been either implemented or are in the process of being implemented. There are no issues the committee believes should be reported and no matters that would require disclosure pursuant to the Act or the Regulations.

Respectfully submitted on behalf of the Audit Committee,

Lindsay Liske, Committee Chair
Jamie Conroy
Leo Racette
Pat Marcuccio
David Vares, Ex-Officio

Report of the Independent Auditors on the Summary Financial Statements

Opinion

The summary financial statements of Sudbury Credit Union Limited (the "Credit Union"), which comprise:

- the summary statement of financial position as at December 31, 2023;
- the summary statement of income and comprehensive income for the year then ended;
- the summary statement of changes in members' equity for the year then ended;
- and related note to the summary financial statements

are derived from the audited financial statements of the Sudbury Credit Union Limited as at and for the year ended December 31, 2023 (audited financial statements).

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements, in accordance with the criteria disclosed in Note 1 in the summary financial statements.

Summary Financial Statements

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

The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

The Audited Financial Statements and Our Report Thereon

On our report dated February 26, 2024:

- We expressed an unqualified opinion on the audited financial statements.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements in accordance with the criteria disclosed in Note 1 in the summary financial statements.

Auditors' Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, the audited financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standards 810, Engagements to Report on Summary Financial Statements.



Chartered Professional Accountants, Licensed
Public Accountants

Sudbury, Ontario

March 11, 2024

Summary Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Cash and cash equivalents	\$ 17,408,285	\$ 21,549,739
Loans to members	424,110,319	417,781,630
Investments	114,084,892	94,566,893
Other assets	2,271,385	2,195,866
Deferred income taxes	-	110,554
Property, equipment and intangibles	5,080,141	5,224,252
Total assets	\$ 562,955,022	\$ 541,428,934
Liabilities and Members' Equity		
Members' deposits	\$ 507,071,217	\$ 488,246,104
Accounts payable and accrued liabilities	1,397,034	1,857,731
Deferred income taxes	88,762	-
Lease liabilities	1,126,325	1,227,070
Liabilities qualifying as regulatory capital	6,175,899	6,133,039
Total liabilities	515,859,237	497,463,944
Members' equity:		
Contributed surplus	5,484,655	5,484,655
Retained earnings	40,896,823	38,107,947
Accumulated other comprehensive income	714,307	372,388
Total members' equity	47,095,785	43,964,990
Total liabilities and members' equity	\$ 562,955,022	\$ 541,428,934

Summary Statement of Income

December 31, 2023, with comparative information for 2022

	2023	2022
Revenue:		
Interest		
- Non-mortgage loans	\$ 2,491,177	\$ 1,854,924
- Mortgage loans	15,221,363	12,055,743
Investment income	4,289,235	2,063,033
	22,001,775	15,973,700
Cost of financing:		
Interest		
- Demand deposits	392,869	389,887
- Term deposits	4,537,504	1,707,543
- Registered accounts	4,499,099	1,828,366
Interest on external borrowings and lease liabilities	43,438	37,450
Dividends on investment shares	336,572	283,740
	9,809,482	4,246,986
Net interest income	12,192,293	11,726,714
Provision (recovery) for credit losses	(46,541)	65,288
Net interest income after provision for impaired loans	12,238,834	11,661,426
Non-interest revenue	1,955,015	2,185,393
	14,193,849	13,846,819
Operating expenses:		
Personnel	5,885,126	5,947,968
General	3,053,089	2,830,316
Occupancy	808,920	705,989
Organization	258,125	209,776
Insurance	567,489	530,983
	10,572,749	10,225,032
Income before income taxes	3,621,100	3,621,787
Income taxes	832,224	862,685
Net income for the year	\$ 2,788,876	\$ 2,759,102

Summary Statement of Comprehensive Income

December 31, 2023, with comparative information for 2022

	2023	2022
Net income for the year	\$ 2,788,876	\$ 2,759,102
Other comprehensive income (loss):		
Items that may be subsequently reclassified to net income:		
Net losses on financial assets measured at FVOCI:		
Unrealized gains (losses) in fair value of investments	529,719	(578,787)
Income tax (expense) recovery	(140,376)	153,379
	389,343	(425,408)
Reclassification of realized (gains) losses to the statement of income	(1,401)	1,569
Income tax expense (recovery)	371	(416)
	(1,030)	1,153
	388,313	(424,255)
Items that will not be reclassified subsequently to net income:		
Actuarial (loss) gain related to defined benefit pension plan	(63,100)	435,400
Income tax recovery (expense)	16,706	(115,293)
	(46,394)	320,107
Total other comprehensive income (loss) for the year	341,919	(104,148)
Total comprehensive income for the year	\$ 3,130,795	\$ 2,654,954

Summary Statement of Changes in Members' Equity

December 31, 2023, with comparative information for 2022

	2023	2022
Contributed surplus:		
Balance, as at January 1 and December 31	\$ 5,484,655	\$ 5,484,655
Retained earnings:		
As at January 1	38,107,947	35,348,845
Net income	2,788,876	2,759,102
Balance, end of year	40,896,823	38,107,947
Accumulated other comprehensive income:		
As at January 1	372,388	476,536
Other comprehensive income (loss)	341,919	(104,148)
As at December 31	714,307	372,388
Members' equity, end of year	\$ 47,095,785	\$ 43,964,990

Note to Summary Financial Statements

Year ended December 31, 2023

1. Basis of Preparation:

The summary financial statements are derived from the complete audited financial statements, prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, as at and for the year ended December 31, 2023.

The preparation of these summary financial statements required management to determine the information needed to ensure they are consistent, in all material respects, with or representing a fair summary of the audited financial statements. The summary financial statements do not include the statement of cash flows, summary of material accounting policies or notes to the financial statements.

The complete audited financial statements of Sudbury Credit Union Limited as at and for the year ended December 31, 2023 are available upon request by contacting the Credit Union.



Photos by Tim Lacroix. Tim is a Sudbury Credit Union employee.