Compensation Employees Credit Union
Financial Statements
December 31, 2024

Contents

For the year ended December 31, 2024

Management's Responsibility

To the Members of Compensation Employees Credit Union:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with IFRS Accounting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Audit Committee are composed primarily of Directors who are neither management nor employees of the Credit Union. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Committee is also responsible for recommending the appointment of the Credit Union's external auditors.

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

February 13, 2025

e-Signed by Shelagh Hardern
2025-02-13 13:38:39:39 PST

General manager

To the Members of Compensation Employees Credit Union:

Opinion

We have audited the financial statements of Compensation Employees Credit Union (the "Credit Union"), which comprise the statement of financial position as at December 31, 2024, and the statements of (loss) income, other comprehensive income, changes in members' equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS® Accounting Standards.

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Abbotsford, British Columbia

MNP LLP

February 13, 2025

Chartered Professional Accountants

Compensation Employees Credit Union
Statement of Financial Position
As at December 31, 2024

	2024	*2023*
Assets		
Cash and cash equivalents *(Note 4)*	**2,848,424**	476,775
Investments *(Note 5)*	**2,514,621**	2,955,554
Member loans receivable *(Note 6)*	**26,927,646**	28,856,273
Income taxes receivable	**7,320**	2,190
Prepaid expenses and deposits *(Note 8)*	**47,445**	59,302
Intangible assets *(Note 9)*	**121,228**	146,389
	32,466,684	32,496,483
Liabilities		
Member deposits *(Note 10)*	**30,096,569**	30,000,685
Accounts payable and accrued liabilities	**46,259**	20,254
Deferred tax liabilities *(Note 12)*	**8,000**	12,000
	30,150,828	30,032,939

Significant event *(Note 19)*

Members' Equity		
Equity shares *(Note 14)*	**532,194**	553,198
Retained earnings	**1,779,630**	1,937,289
Accumulated other comprehensive income (loss)	**4,032**	(26,943)
	2,315,856	2,463,544
	32,466,684	32,496,483

Approved on behalf of the Board

e-Signed by Breanna Gregerson
2025-02-13 14:01:49:49 PST
Director

e-Signed by Tryva Radmacker
2025-02-13 13:32:55:55 PST
Director

The accompanying notes are an integral part of these financial statements

Compensation Employees Credit Union
Statement of (Loss) Income
For the year ended December 31, 2024

	2024	*2023*
Interest income		
Member loans	**1,059,113**	1,024,594
Investments	**158,015**	151,818
	1,217,128	1,176,412
Interest expense		
Member deposits	**711,983**	442,749
Member shares	**-**	77,915
Borrowings	**25,989**	-
	737,972	520,664
Financial margin	**479,156**	655,748
Other income	**27,107**	41,055
Financial margin and other income	**506,263**	696,803
Operating expenses		
Advertising and promotion	**20,544**	15,002
Building occupancy	**7,559**	7,559
Data processing	**92,484**	113,090
Amortization of intangible assets	**25,161**	25,161
Dues and assessments	**46,608**	53,045
Office	**44,675**	61,174
Professional and consulting	**60,985**	33,852
Salaries and employee benefits	**360,015**	297,601
	658,031	606,484
(Loss) income before provision for of impaired loans	**(151,768)**	90,319
Provision for impaired loans *(Note 17)*	**20,032**	76,768
(Loss) income before provision for (recovery of) income taxes	**(171,800)**	13,551
Income taxes (recovery)		
Current *(Note 11)*	**(10,141)**	(1,296)
Deferred *(Note 12)*	**(4,000)**	1,000
	(14,141)	(296)
Net (loss) income	**(157,659)**	13,847

The accompanying notes are an integral part of these financial statements

Compensation Employees Credit Union
Statement of Other Comprehensive Income
For the year ended December 31, 2024

	2024	*2023*
Net (loss) income	**(157,659)**	13,847
Other comprehensive income		
Change in unrealized gains on marketable securities, net of tax expense of $3,321 (2023 - $4,106)	**30,975**	33,224
Total comprehensive (loss) income for the year	**(126,684)**	47,071

The accompanying notes are an integral part of these financial statements

Compensation Employees Credit Union
Statement of Changes in Members' Equity
For the year ended December 31, 2024

	Equity shares	*Retained earnings*	*Accumulated other comprehensive income (loss)*	*Members' equity*
Balance December 31, 2022	**573,173**	**1,950,472**	**(60,167)**	**2,463,478**
Net income	**-**	**13,847**	**-**	**13,847**
Other comprehensive income for the year	**-**	**-**	**33,224**	**33,224**
Equity share dividends	**-**	**(27,030)**	**-**	**(27,030)**
Net redemption of equity shares	**(19,975)**	**-**	**-**	**(19,975)**
Balance December 31, 2023	**553,198**	**1,937,289**	**(26,943)**	**2,463,544**
Net loss	**-**	**(157,659)**	**-**	**(157,659)**
Other comprehensive income for the year	**-**	**-**	**30,975**	**30,975**
Net redemption of equity shares	**(21,004)**	**-**	**-**	**(21,004)**
Balance December 31, 2024	**532,194**	**1,779,630**	**4,032**	**2,315,856**

The accompanying notes are an integral part of these financial statements

Compensation Employees Credit Union
Statement of Cash Flows
For the year ended December 31, 2024

	2024	2023
Cash provided by (used for) the following activities		
Operating activities		
Net (loss) income	**(157,659)**	13,847
Amortization of intangible assets	**25,161**	25,161
Deferred income tax expense/recovery	**(4,000)**	1,000
Provision for impaired loans	**20,032**	76,768
Changes in working capital accounts:		
Income taxes payable/receivable	**(5,130)**	1,682
Prepaid expenses and deposits	**11,857**	10,725
Accounts payable and accrued liabilities	**26,007**	(14,208)
Accrued interest on member loans receivable	**(1,556)**	(12,934)
Accrued interest on member deposits	**39,065**	89,090
	(46,223)	191,131
Financing activities		
Net change in member deposits	**56,818**	(1,036,430)
Net change in equity shares	**(21,004)**	(19,975)
Equity share dividends	**-**	(27,030)
	35,814	(1,083,435)
Investing activities		
Net change in member loans receivable	**1,910,150**	(43,228)
Net change in investments	**471,908**	(742,047)
Purchases of intangible assets	**-**	(43,568)
	2,382,058	(828,843)
Increase (decrease) in cash resources	**2,371,649**	(1,721,147)
Cash and cash equivalents, beginning of year	**476,775**	2,197,922
Cash and cash equivalents, end of year	**2,848,424**	476,775

1. Reporting entity

Compensation Employees Credit Union (the "Credit Union") was formed pursuant to the Credit Union Incorporations Act of the British Columbia and the operation of the Credit Union is subject to the Financial Institutions Act of British Columbia ("the Act").

The Credit Union serves members in the Lower Mainland area of British Columbia and the surrounding area. The address of the Credit Union's registered office is 6951 Westminster Highway, Richmond, BC.

Statement of compliance

These financial statements have been prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee.

These financial statements for the year ended December 31, 2024 were approved by the Board of Directors on February 13, 2025.

2. Basis of preparation

Basis of measurement

The accounting policies determined to be material to the users of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

Functional and presentation currency

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

Significant accounting judgments, estimates and assumptions

Since a determination of some assets and liabilities is dependent upon uncertain future events, the preparation of these financial statements requires the use of estimates and assumptions, which have been made by management using careful judgement. Actual results may differ from these estimates. The estimates, assumptions and judgments used in preparation of these financial statements include the measurement of the allowance for loan impairment, the estimate of fair value of financial instruments not traded on active markets, income taxes, and key assumptions in determining the allowance for expected credit losses.

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

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

Financial instruments not traded on active markets

For financial instruments not traded in active markets, fair values are determined using valuation techniques such as the discounted cash flow model that rely on assumptions that are based on observable active markets or rates. Certain assumptions take into consideration liquidity risk, credit risk and volatility.

Income taxes

The Credit Union periodically assesses its liabilities and contingencies related to income taxes for all years open to audit based on the latest information available. For matters where it is probable that an adjustment will be made, the Credit Union records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes that they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

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

Key assumptions in determining the allowance for expected credit losses

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

- Expected significant increase in unemployment rates, interest rates
- Expected or actual changes in internal credit ratings of the borrowers or external credit ratings of the instrument
- The correlation between credit risk on all lending facilities of the same borrower
- Changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements

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

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

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

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

- Interest rates
- Unemployment rates
- Inflation
- Loan to Value ratios

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

3. Summary of material accounting policies

The following principal accounting policies have been adopted in the preparation of these financial statements.

Cash and cash equivalents

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

Investments

Each investment is classified into one of the categories described under financial instruments. The classification dictates the accounting treatment for the carrying value and changes in that value.

3. Summary of material accounting policies *(Continued from previous page)*

Investments *(Continued from previous page)*

Portfolio investments

Investments in securities are measured at fair value, with adjustments recognized in profit or loss.

Marketable securities

Marketable securities are measured at fair value, with adjustments recognized in other comprehensive income.

Member loans receivable

Member loans receivable are initially recognized at their fair value and subsequently measured at amortized cost. Amortized cost is calculated as the loans' principal amount, less any allowance for anticipated losses, plus accrued interest. Interest revenue is recorded on the accrual basis using the effective interest method. Loan administration fees are amortized over the term of the loan using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the carrying amount of the financial asset.

Furniture and equipment

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

All assets having limited useful lives are depreciated using the straight-line method over their estimated useful lives. Assets are depreciated from the date capitalized. The depreciation rates applicable for each class of asset during the current and comparative period are as follows:

	Years
Furniture and fixtures	3-15 years

The residual value, useful life and depreciation method is reassessed at each reporting date.

Intangible assets

The Credit Union's only intangible asset is computer software which is amortized to comprehensive income on a straight-line basis over 10 years. The useful life of computer software will be reviewed on an annual basis and the useful life is altered if estimates have changed significantly.

Gains or losses on the disposal of intangible assets will be determined as the difference between the net disposal proceeds and the carrying amount of the asset, and recognised in profit and loss.

Impairment of non-financial assets

At the end of each reporting period, the Credit Union reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Credit Union estimates the recoverable amount of the cash-generating units ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU's, or otherwise they are allocated to the smallest group of CGU's for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

3. Summary of material accounting policies *(Continued from previous page)*

Impairment of non-financial assets *(Continued from previous page)*

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

Member deposits

Member deposits are initially recognized at fair value, and are subsequently measured at amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are initially recorded at fair value and are subsequently carried at amortized cost, which approximates fair value due to the short term nature of these liabilities.

Equity shares

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

Income taxes

Current and deferred income taxes are recognized in profit or loss except to the extent that the tax is recognized either in other comprehensive income or directly in equity, or the tax arises from a business combination.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The calculation of current tax is based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realized or the liabilities are settled. The calculation of deferred tax is based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting year. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

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

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

Foreign currency translation

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

Non-monetary items that are measured at historical cost are translated using the exchange rates at the date of the transaction and non-monetary items that are measured at fair value are translated using the exchange rates at the date when the items’ fair value was determined. Translation gains and losses are included in net profit or loss.

3. Summary of material accounting policies *(Continued from previous page)*

Financial instruments

Financial assets

Recognition and initial measurement

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

Classification and subsequent measurement

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

Financial assets are classified as follows:

- Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of member loans receivable.
- Fair value through other comprehensive income - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. Financial assets measured at fair value through other comprehensive income are comprised of marketable securities.
- Mandatorily at fair value through profit or loss – Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and charges in the financial assets' carrying amount are recognized in profit or loss. The Credit Union measures all equity investments at fair value with changes in fair value are recorded in profit or loss. Included in this classification are cash and cash on hand and portfolio investments (Central 1 and Co-operative association shares).
- Designated at fair value through profit or loss – On initial recognition, the Credit Union may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets’ carrying amount are recognized in net income. The Credit Union does not hold any financial assets designated to be measured at fair value through profit and loss.

The Credit Union measures all equity investments at fair value. Changes in fair value are recorded in profit or loss except where the entity has irrevocably elected on initial recognition to present in other comprehensive income the fair value gains and losses of an equity investment that is neither held for trading nor contingent consideration acquired in a business combination. In such cases, the cumulative gains and losses recognized in other comprehensive income are not reclassified to profit or loss on derecognition of the investment.

3. Summary of material accounting policies *(Continued from previous page)*

Financial instruments *(Continued from previous page)*
Business model assessment

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

Contractual cash flow assessment

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

Reclassifications

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

Impairment

The Credit Union recognizes a loss allowance for the expected credit losses associated with its financial assets, other than debt instruments measured at fair value through profit or loss and equity investments. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

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

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

Loss allowances for expected credit losses are presented in the statement of financial position as follows:

- For financial assets measured at amortized cost, as a deduction from the gross carrying amount of the financial asset.

Financial assets are written off when the Credit Union has no reasonable expectations of recovering all or any portion thereof.

Derecognition of financial assets

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

3. Summary of material accounting policies *(Continued from previous page)*

Financial instruments *(Continued from previous page)*
For this purpose, a financial asset is transferred if the Credit Union either:

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

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

Financial liabilities

Recognition and initial measurement

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

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount.

Classification and subsequent measurement

Financial instruments classified as other financial liabilities include all member deposits, borrowings, and accounts payable and accrued liabilities. All financial liabilities are initially measured at fair value.

Financial liabilities are not reclassified subsequent to initial recognition.

Derecognition of financial liabilities

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

Revenue recognition

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

Investment income

Investment income is recognized as interest is earned on interest-bearing investments, and when dividends are declared on shares.

Interest

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

Interest income is recognized in comprehensive income for all financial assets measured at amortized cost using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash flows through the expected life of the financial instrument back to the net carrying amount of the financial asset. The application of the method has the effect of recognizing revenue of the financial instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

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

3. Summary of material accounting policies *(Continued from previous page)*

Financial instruments *(Continued from previous page)*

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

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

Pension plan

The Credit Union participates in a multi-credit union defined contribution pension plan and recognizes contributions as an expense in the year to which they relate.

Fair value measurements

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

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

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

4. Cash and cash equivalents

	2024	*2023*
Cash on hand	**2,490,820**	296,925
Marketable securities maturing in less than three months	**357,604**	179,850
	2,848,424	476,775

5. Investments

	2024	*2023*
Marketable securities carried at fair value through other comprehensive income	**2,495,212**	2,930,910
Portfolio investments carried at fair value through profit and loss		
Central 1 shares	**9,295**	9,923
Co-operative association shares	**25**	25
Accrued interest on investments	**10,089**	14,696
	2,514,621	2,955,554

6. Member loans receivable

Principal and allowance by loan type:

			2024
	Principal	**Allowance for loan impairment (Note 17)**	**Net carrying value**
Personal and other	1,896,709	(170,000)	**1,726,709**
Real estate secured	25,162,901	-	**25,162,901**
Accrued interest	38,036	-	**38,036**
	27,097,646	(170,000)	**26,927,646**

			2023
	Principal	Allowance for loan impairment (Note 17)	Net carrying value
Personal and other	2,255,932	(149,968)	2,105,964
Real estate secured	26,713,828	-	26,713,828
Accrued interest	36,481	-	36,481
	29,006,241	(149,968)	28,856,273

7. Furniture and equipment

Furniture and equipment with a cost of $141,915 (2023 - $141,915) has been fully depreciated, however it is still in use.

8. Prepaid expenses and deposits

	2024	*2023*
Central 1 payments modernization cost sharing	**47,445**	59,302

9. Intangible assets

	Banking system software
Cost	
Balance at January 1, 2023	297,412
Additions	43,568
Balance at December 31, 2023	340,980
Balance at January 1, 2024	**340,980**
Balance at December 31, 2024	**340,980**

9. Intangible assets *(Continued from previous page)*

	Banking system software
Amortization and impairment losses	
Balance at January 1, 2023	169,430
Amortization	25,161
Balance at December 31, 2023	194,591
Balance at January 1, 2024	**194,591**
Amortization	**25,161**
Balance at December 31, 2024	**219,752**
Net book value	
At December 31, 2023	146,389
At December 31, 2024	**121,228**

10. Member deposits

	2024	*2023*
Demand	**11,307,341**	14,889,420
Terms	**11,272,335**	8,102,266
Registered savings plans	**7,138,040**	6,669,211
Accrued interest on member deposits	**378,853**	339,788
	30,096,569	30,000,685

11. Income taxes

Reasons for the difference between income tax recovery for the year and the expected income taxes based on the statutory tax rate of 27% (2023 - 27%) are as follows:

	2024	*2023*
Income tax (recovery) expense at the statutory tax rate	**(38,023)**	12,629
Small business deduction	**6,773**	(1,532)
Items not deductible for tax purposes	**39,295**	61,153
Items deductible for tax purposes	**(35,070)**	(70,991)
Provincial low rate deduction	**11,287**	(2,555)
Impact of current year taxable losses carried forward	**5,597**	-
	(10,141)	(1,296)

12. Deferred income taxes

The movement in 2024 deferred income tax assets (liabitlies) are:

	Jan 1, 2024	Recognized in comprehensive income	Dec 31, 2024
Deferred income tax assets (liabilities):			
Allowance for impaired loans	2,000	2,000	**4,000**
Furniture and equipment	1,000	-	**1,000**
Intangible assets	(15,000)	2,000	**(13,000)**
	(12,000)	4,000	**(8,000)**

The movement in 2023 deferred income tax assets (liabilities) are:

	Jan 1, 2023	Recognized in comprehensive income	Dec 31, 2023
Deferred income tax assets (liabilities):			
Allowance for impaired loans	1,700	300	2,000
Furniture and equipment	1,300	(300)	1,000
Intangible assets	(14,000)	(1,000)	(15,000)
	(11,000)	(1,000)	(12,000)

13. Borrowings

The Credit Union has available an operating line of credit and a term loan agreement to a maximum borrowing position of $1,400,000 (2023 - $1,400,000) with Central 1. Borrowings are secured by an assignment, hypothecation, charge and pledge of all book debts and accounts to Central 1 and bear an annual interest rate based on the Chartered Banks overnight funds rate, with no fixed repayment dates. During the year the Credit Union borrowed the maximum amount allowed. The amount was repaid during the year. As at December 31, 2024, the Credit Union borrowings are $nil (2023 - $nil).

14. Equity shares

Authorized:
Unlimited number of equity shares, at an issue price of $1
Issued:

	2024	*2023*
Member shares classified as equity		
Equity shares	**532,194**	553,198

Terms and conditions

Equity shares are as provided for by the Credit Union Act and administered according to the terms of the Credit Union Bylaws which set out the rights, privileges, restrictions, and conditions to those shares. The authorized share capital is unlimited in amount, consists of shares with a par value of $1 each. Members are required to have a minimum of 25 equity shares. The maximum equity shares per member is 500.

15. Related party transactions

Key management compensation of the Credit Union

Key management of the Credit Union are defined by IAS 24 Related Party Disclosures as those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, including directors and management.

Key management personnel ("KMP") remuneration includes the following expenses:

	2024	*2023*
Salary and short term benefits	**134,904**	99,550

Transactions with key management personnel

There are no loans that are impaired in relation to loan balances with KMP.

There are no benefits or concessional terms and conditions applicable to the KMP and their family members. There are no loans that are impaired in relation to the loan balances with family or relatives of KMP.

	2024	*2023*
Aggregate of loans to KMP	**919,627**	948,576

	2024	*2023*
During the year the aggregate value of loans disbursed to KMP amounted to:		
Mortgages (renewal)	**34,487**	-

	2024	*2023*
Interest and other revenue earned on loans to KMP	**36,097**	25,749
Total interest paid on deposits to KMP	**26,059**	1,152
The total value of member deposits from KMP as at the year-end	**1,150,252**	689,453

16. Capital management

The Credit Union requires capital to fund existing and future operations and to meet regulatory capital requirements.

The Credit Union is required under provincial legislation to maintain a capital base equal to 8% of the total risk-weighted value of assets; each asset being assigned a risk factor based on the probability that a loss may be incurred on ultimate realization of that asset. At December 31, 2024, the Credit Union had a capital base approximating 24% (2023 - 24%) of the risk-weighted value.

The Credit Union employs a forward looking capital plan that is reviewed by management and the Board of Directors. The capital plan forecasts the Credit Union’s capital position over a five year period. The capital plan dictates management’s approach to growth, loan mix, credit quality, fixed assets, profitability objectives, and dividend/patronage rebate policy, and has a significant influence on member service objectives. It also establishes the criteria to maintain a cushion beyond the minimum statutory capital requirements. Management and the Board of Directors ensure the Credit Union’s investment and lending policy and credit risk profile reflect loan portfolio composition and levels of risk that are consistent with the Credit Union’s capital resources and objectives.

There has been no change in the overall capital requirements strategy employed during the year ended December 31, 2024.

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

	2024	*2023*
Primary capital		
Retained earnings	**1,779,630**	1,937,289
Equity shares	**532,194**	553,198
Deferred tax liability	**8,000**	12,000
Dividends to be paid as primary capital	**-**	27,030
	2,319,824	2,529,517
Secondary capital		
Share of system retained earnings	**320,275**	293,536
Deductions from capital	**(121,227)**	(146,389)
Capital base	**2,518,872**	2,676,664

17. Financial instruments

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

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

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

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

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

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

Credit Risk

Credit risk is the risk of financial loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations to the Credit Union. Credit risk primarily arises from member loans receivable, investments in debt securities, and the Credit Union’s lending activities.

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

Risk management process

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

The primary credit risk management policies and procedures include the following:

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

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

To meet the needs of its members and to manage its own exposure to fluctuations in interest rates, the Credit Union participates in various commitments and contingent liability contracts. The primary purpose of these contracts is to make funds available for the financing needs of customers. These are subject to normal credit standards, financial controls, risk management and monitoring procedures.

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

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

Inputs, assumptions and techniques

Definition of default and assessments of credit risk

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

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

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

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

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

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

Measurement of expected credit losses

The Credit Union measures expected credit losses for member loans receivable on a group basis. These assets are grouped on the basis of their shared risk characteristics such as loan type. Otherwise, expected credit losses are measured on an individual basis.

When measuring 12-month and lifetime expected credit losses, the Credit Union considers items such as the contractual period of the financial asset or the period for which the entity is exposed to credit risk, determination of appropriate discount rates used in incorporating the time value of money, assumptions about prepayments, timing and extent of missed payments or default events, how probabilities of default and other assumptions and inputs used in calculating the amount of cash short falls depending on the type or class of financial instrument. Forward-looking information is incorporated into the determination of expected credit loss by considering regional economic journals and forecasts, collecting information available from regular commercial dealings with its customers and other publicly available information and considering the effect such information could have on any assumptions or inputs used in the measurement of expected credit losses, determining significant increases in credit risk or identifying a credit-impaired financial asset.

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

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

Write-offs

Financial assets are written off when there is no reasonable expectation of recovery. The Credit Union assesses that there is no reasonable expectation of recovery when the security relating to the loan has been sold and there are remaining amounts outstanding, the borrower has filed for bankruptcy and the trustee has indicated that no additional funds will be paid. Where an asset has been written off but is still subject to enforcement activity, the asset is written off but remains on a list of delinquent accounts. Where information becomes available indicating the Credit Union will receive funds, such amounts are recognized at their fair value.

Significant increase in credit risk - interest rate and inflationary environment impacts

There are judgments involved in determining whether or not there is a significant increase in credit risk resulting in loans moving between stages of expected credit loss and being subject to different expected credit loss models. The Credit Union will continue to monitor the impact that changing interest rates and inflation may have on its members and their ability to repay their debt obligations. Where appropriate, the Credit Union may deem a change in credit risk to have occurred for certain members due to the current environment and will adjust their staging and expected credit losses as necessary.

Exposure to credit risk

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

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

	12-month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	2024 Total
Real estate secured				
Low risk	25,162,901	-	-	25,162,901
Medium risk	-	-	-	-
Default	-	-	-	-
Total gross carrying amount	25,162,901	-	-	25,162,901
Less: allowance for loan impairment	-	-	-	-
Total carrying amount of real estate secured	25,162,901	-	-	25,162,901
Personal and other				
Low risk	1,755,625	-	-	1,755,625
Medium risk	-	-	-	-
Default	-	-	141,085	141,085
Total gross carrying amount	1,755,625	-	141,085	1,896,710
Less: allowance for loan impairment	28,915	-	141,085	170,000
Total carrying amount of personal and other	1,727,125	-	-	1,726,709
Total gross carrying amount				26,889,610
Add: accrued interest				38,036
Member loans receivable				26,927,646

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

	12-month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	***2023*** Total
Real estate secured				
Low risk	26,583,453	-	-	26,583,453
Medium risk	-	-	-	-
Default	-	-	130,375	130,375
Less: less allowance for loan impairment	-	-	-	-
Total carrying amount of real estate secured	26,583,453	-	130,375	26,713,828
Personal and other				
Low risk	2,002,445	-	-	2,002,445
Medium risk	-	-	-	-
Default	-	-	253,487	253,487
Total gross carrying amount	2,002,445	-	253,487	2,255,932
Less: allowance for loan impairment	28,500	-	121,468	149,968
Total carrying amount of personal and other	1,973,945	-	132,019	2,105,964
Total gross carrying amount				28,819,792
Add: accrued interest				36,481
Member loans receivable				28,856,273

Amounts arising from expected credit losses

Reconciliation of the loss allowance

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

	12-month ECL	***Lifetime ECL (not credit impaired)***	***Lifetime ECL (credit impaired)***	***Total***
Allowance for loan impairment				
Balance at January 1, 2023	**9,036**	**-**	**64,164**	**73,200**
Provision for loan impairment	**19,464**	**-**	**57,304**	**76,768**
Loan write-offs	**-**	**-**	**-**	**-**
Balance at December 31, 2023	**28,500**	**-**	**121,468**	**149,968**
Provision for impaired loans	**415**	**-**	**19,617**	**20,032**
Loan write-offs	**-**	**-**	**-**	**-**
Balance at December 31, 2024	**28,915**	**-**	**141,085**	**170,000**

Market risk

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

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

Interest rate risk

Interest rate risk relates to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Credit Union incurs interest rate risk on its loans and other interest bearing financial instruments.

Contractual repricing and maturity

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

	Within one year	One to four years	Greater than four years	Non-Interest Sensitive	**2024** Total	2023 Total
Assets						
Cash and cash equivalents	2,774,887	-	-	73,537	**2,848,424**	476,775
Average yield %	*3.25*	-	-	-	*3.25*	*3.77*
Investments	819,683	1,685,618	-	9,320	**2,514,621**	2,955,554
Average yield %	*2.36*	*2.37*	-	-	*2.36*	*3.43*
Member loans receivable	6,634,178	19,021,509	1,362,230	(90,271)	**26,927,646**	28,856,273
Average yield %	*6.52*	*3.57*	*7.69*	-	*4.51*	*3.32*
Other assets	-	-	-	175,993	**175,993**	207,881
	10,228,748	**20,707,127**	**1,362,230**	**168,579**	**32,466,684**	32,496,483
Liabilities						
Member deposits	27,656,209	2,061,507	-	378,853	**30,096,569**	30,000,685
Average yield %	*2.37*	*3.52*	-	-	*2.42*	*0.97*
Accounts payable and accrued liabilities	-	-	-	46,259	**46,259**	20,254
Deferred tax liability	-	-	-	8,000	**8,000**	12,000
Members' equity	-	-	-	2,315,856	**2,315,856**	2,463,544
	27,656,209	**2,061,507**	**-**	**2,748,968**	**32,466,684**	32,496,483
Mismatch	**(17,427,461)**	**18,645,620**	**1,362,230**	**(2,580,389)**	**-**	-

During the year ended December 31, 2024, the Credit Union's effective interest rates rose on the majority of financial assets and liabilities as a result of a rising interest rate environment due to efforts to control inflation through government monetary policy. As fixed financial instruments renew, they are exposed to higher interest rates.

Based on the current financial instruments, it is estimated that a 1.0% increase in the interest rate would increase financial margin by approximately $3,000 (2023 - $3,000). A 1.0% decrease in the interest rate would decrease financial margin by approximately $8,000 (2023 - $2,000).

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

Liquidity risk

Liquidity risk arises from the inability to generate or obtain the necessary cash or cash equivalents in a timely manner, at a reasonable price, to meet commitments as they come due. In particular, the risk arises from failure to meet the Credit Union's day-to-day obligations, including claims on the Credit Union and operational demands.

For liquidity purposes, the Credit Union must maintain at least 8% (2023 - 8%) of total members' deposits and non-equity shares. As at December 31, 2024, the Credit Union meets this requirement with a liquidity reserve deposit percentage of 9.72% (2023 - 10.64%).

The Credit Union uses different risk management processes to manage liquidity risk. The acceptable amount of risk is defined by policies approved by the board and monitored by the Investment & Lending Committee.

The assessment of the Credit Union's liquidity position reflects management's estimates, assumptions and judgment pertaining to current and prospective specific and market conditions and the related behaviour of its members and counterparties.

The Credit Union manages its liquidity position from three perspectives:
- Structural liquidity risk, which addresses the risk due to mismatches in effective maturities between assets and liabilities, more specifically the risk of over reliance on short-term liabilities to fund long-term illiquid assets;
- Tactical liquidity risk, which addresses the day-to-day funding requirements;
- Contingent liquidity risk, which assess the impact of sudden stressful events and the Credit Union's responses thereto.

The primary liquidity risk policies and procedures include the following:
- Liquidity risk management framework to measure and control liquidity risk exposure;
- Measurement of cash flows;
- Maintain a line of credit and borrowing facility with Central 1;
- Maintenance of a pool of high quality liquid assets;
- Monitoring of single deposits and sources of deposits;
- Monitoring of term deposits.

18. Fair value measurements

Assets and liabilities measured at fair value

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

	Fair Value	*Level 1*	*Level 2*	*2024 Level 3*
Assets				
Cash and cash equivalents - cash on hand	**2,490,820**	**2,490,820**	**-**	**-**
- marketable securities maturing in less than three months	**357,604**	**-**	**357,604**	**-**
Investments - marketable securities	**2,495,212**	**-**	**2,495,212**	**-**
- Central 1 shares	**9,295**	**-**	**9,295**	**-**
- Co-operative association shares	**25**	**-**	**25**	**-**
Total recurring fair value measurements	**5,352,956**	**2,490,820**	**2,862,136**	**-**

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

	Fair Value	*Level 1*	*Level 2*	*2023 Level 3*
Assets				
Cash and cash equivalents - cash on hand	296,925	296,925	-	-
- marketable securities maturing in less than three months	179,850	-	179,850	-
Investments - marketable securities	2,930,910	-	2,930,910	-
- Central 1 shares	9,923	-	9,923	-
- Co-operative association shares	25	-	25	-
Total recurring fair value measurements	3,417,633	296,925	3,120,708	-

Non-recurring fair value measurements

The Credit Union's non-recurring fair value measurements have been categorized into the fair value hierarchy as follows:

Fair value measurement	*Valuation technique(s)*	*Inputs*
Central 1 shares and Co-operative association shares	Fair value approximates par value for shares as transactions occur at par value on a regular and recurring basis.	Value of shares
Marketable securities	Fair value is determined using the net present value attributable to the investments	Discount rates based on current investment rates

	Fair Value	***Level 1***	***Level 2***	***2024 Level 3***
Assets				
Member loans receivable	**24,992,900**	**-**	**24,992,900**	**-**
Total assets	**24,992,900**	**-**	**24,992,900**	**-**
Liabilities				
Member deposits	**30,127,076**	**-**	**30,127,076**	**-**
Accounts payable and accrued liabilities	**46,259**	**-**	**46,259**	**-**
Total liabilities	**30,173,335**	**-**	**30,173,335**	**-**

	Fair Value	*Level 1*	*Level 2*	*2023 Level 3*
Assets				
Member loans receivable	26,536,627	-	26,536,627	-
Total assets	26,536,627	-	26,536,627	-
Liabilities				
Member deposits	30,021,699	-	30,021,699	-
Accounts payable and accrued liabilities	20,254	-	20,254	-
Total liabilities	30,041,953	-	30,041,953	-

19. Significant event

On December 21, 2024 the Credit Union engaged in merger discussions with a merger partner. The merger remains contingent on a vote by the Credit Union's membership in 2025 and British Columbia Financial Services Authority ("BCFSA") and the Competition Bureau of Canada approval.