Financial Statements of

COMMUNITY SAVINGS CREDIT UNION

And Independent Auditor's Report thereon

Year ended September 30, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Members of Community Savings Credit Union

Opinion

We have audited the financial statements of Community Savings Credit Union (the "Entity"), which comprise:

- the statement of financial position as at September 30, 2024
- the statement of comprehensive income for the year then ended
- the statement of changes in members' equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of material accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at September 30, 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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 auditor's report.

We are independent of the Entity 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 as issued by the International Accounting Standards Board, 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 the 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 Entity'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 Entity'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 Entity 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.
- 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.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
December 11, 2024

COMMUNITY SAVINGS CREDIT UNION

Statement of Financial Position

September 30, 2024, with comparative information for 2023

	Notes	2024	2023
Assets			
Cash and cash equivalents	5	$ 161,057,481	$ 114,910,392
Investments	6	120,680,114	106,456,126
Loans	7	632,229,979	620,600,842
Premises and equipment	8	2,438,661	915,778
Intangible assets	8	32,732	59,257
Right-of-use assets	8	2,239,300	2,915,393
Income taxes receivable		-	98,272
Deferred income tax assets	9	438,994	375,979
Other assets		2,666,298	2,959,275
		$ 921,783,559	$ 849,291,314
Liabilities and Members' Equity			
Deposits	10	$ 869,959,250	$ 802,971,997
Members’ shares	12	1,150,097	1,200,906
Lease liabilities	13	2,417,484	3,057,427
Income taxes payable	9	501,435	-
Other liabilities	14	3,985,489	2,960,978
		878,013,755	810,191,308
Members' equity:			
Contributed surplus		5,164,927	5,164,927
Retained earnings		37,676,569	34,934,247
Accumulated other comprehensive income (loss)		928,308	(999,168)
		43,769,804	39,100,006
Commitments and contingencies	24		
Subsequent events	27		
		$ 921,783,559	$ 849,291,314

The accompanying notes form an integral part of these financial statements.

Approved on behalf of the Board:

Phillip Legg ____________________ Director

Leslie Roosa ____________________ Director

COMMUNITY SAVINGS CREDIT UNION

Statement of Comprehensive Income

Year ended September 30, 2024, with comparative information for 2023

	Notes	2024	2023
Interest income:			
Loans		$ 30,164,079	$ 27,087,883
Cash and cash equivalents and investments	19	10,619,681	7,059,740
		40,783,760	34,147,623
Interest expense:			
Deposits		22,551,685	16,995,016
Lease liabilities		132,174	171,378
		22,683,859	17,166,394
Net interest income		18,099,901	16,981,229
Provision for (recovery of) credit losses	7	2,737	(95,430)
Non-interest income	20	4,649,239	2,047,913
Total operating income		22,746,403	19,124,572
Non-interest expense:			
Salaries and benefits		12,113,292	10,626,209
Administrative	21	6,727,434	6,999,789
Depreciation and impairment loss	8	908,446	1,008,367
		19,749,172	18,634,365
Income from operations		2,997,231	490,207
Distribution to members		-	-
Income before provision for income taxes		2,997,231	490,207
Provision for income tax expense (recovery):	9		
Current		317,924	25,144
Deferred		(63,015)	100,020
		254,909	125,164
Net income		2,742,322	365,043
Other comprehensive income, net of income taxes:			
Item that will be reclassified to net income:			
Net movement in unrealized gain/loss on financial instruments, net of income taxes of $394,784 (2023 - $88,333)	22	1,927,476	431,273
Comprehensive income		$ 4,669,798	$ 796,316

The accompanying notes form an integral part of these financial statements.

COMMUNITY SAVINGS CREDIT UNION

Statement of Changes in Members' Equity

Year ended September 30, 2024, with comparative information for 2023

	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total members' equity
Balance on September 30, 2022	$ 2,851,000	$ 34,569,204	$ (1,430,441)	$ 35,989,763
Net income	-	365,043	-	365,043
Other comprehensive income:				
Hedging reserve - cash flow hedges:				
Net unrealized loss	-	-	(21,577)	(21,577)
Net movement in unrealized gain/loss financial instruments at FVOCI	-	-	452,850	452,850
Acquisition CCEC (note 26)	2,313,927	-	-	2,313,927
Balance on September 30, 2023	5,164,927	34,934,247	(999,168)	39,100,006
Net income	-	2,742,322	-	2,742,322
Other comprehensive income:				
Net movement in unrealized gain/loss financial instruments at FVOCI	-	-	1,927,476	1,927,476
Balance on September 30, 2024	$ 5,164,927	$ 37,676,569	$ 928,308	$ 43,769,804

The accompanying notes form an integral part of these financial statements.

COMMUNITY SAVINGS CREDIT UNION

Statement of Cash Flows

Year ended September 30, 2024, with comparative information for 2023

	Notes	2024	2023
Cash provided by (used in):			
Operating activities:			
Net income		$ 2,742,322	$ 365,043
Adjustments:			
Depreciation and impairment loss		908,446	1,008,367
Provision for (recovery of) credit losses		2,737	(95,430)
Net interest income		(18,099,901)	(16,981,229)
Impairment of FVOCI investments	19	9,120	31,291
Realized gain on sale of property	20	(2,632,345)	-
Provision for income taxes - current		317,924	25,144
Provision of income taxes - deferred		(63,015)	100,020
		(16,814,712)	(15,546,794)
Changes in non-cash operating working capital		834,466	126,981
Interest received from:			
Loans		30,783,359	26,133,390
Cash and cash equivalents and investments		9,005,510	7,311,072
Interest paid on:			
Deposits		(19,792,382)	(11,202,984)
Lease liabilities		(132,174)	(171,378)
Net increase in loans		(11,556,278)	(59,036,290)
Net increase in deposits		64,254,973	48,880,164
Income taxes paid		(129,756)	(146,067)
		56,453,006	(3,651,906)
Investing activities:			
Acquisition in business combination	26	-	14,256,766
Purchase of investments		(51,470,845)	(44,284,087)
Proceeds from sale/maturity of investments		40,952,048	100,998,113
Proceeds from sales of property		2,670,000	-
Net purchase of:			
Premises and equipment		(1,766,367)	(396,517)
Intangible assets		-	(48,116)
		(9,615,164)	70,526,159
Financing activities:			
Repayment of lease liabilities		(639,944)	(627,602)
Redemption of members' shares (net)		(50,809)	(33,227)
		(690,753)	(660,829)
Increase in cash and cash equivalents		46,147,089	66,213,424
Cash and cash equivalents, beginning of year		114,910,392	48,696,968
Cash and cash equivalents, end of year		$ 161,057,481	$ 114,910,392

The accompanying notes form an integral part of these financial statements.

1. Reporting entity:

Community Savings Credit Union (the “Credit Union”) is incorporated under the British Columbia *Credit Union Incorporation Act* and is a member of Central 1 Credit Union (“Central 1”), which is the central credit union and trade services organization for British Columbia and Ontario Credit Unions. The operations of the Credit Union are subject to the *Financial Institutions Act* of British Columbia. The Credit Union serves members in Greater Vancouver, Victoria, and the surrounding areas. The Credit Union’s administration office is located at 900 - 7380 King George Highway, Surrey, British Columbia. Effective October 1, 2022, the Credit Union acquired CCEC Credit Union (“CCEC”) (note 26).

2. Basis of presentation:

(a) Statement of compliance:

These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”).

These financial statements were authorized for issue by the Board of Directors on December 11, 2024.

(b) Basis of measurement:

These financial statements were prepared under the historical cost basis, except for financial instruments classified at fair value through profit or loss and derivative financial instruments, which are measured at fair value.

(c) Functional and presentation currency:

The Credit Union’s functional and presentation currency is the Canadian dollar.

(d) Use of estimates and judgments:

The preparation of financial statements in compliance with IFRS Accounting Standards requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Credit Union’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

3. Material accounting policies:

(a) Cash and cash equivalents:

Cash and cash equivalents are comprised of balances with original maturity of three months or less, and include cash on hand and short-term deposits with Central 1, amounts due to and from other banks, and cheques and other items in transit.

3. Material accounting policies (continued):

(b) Financial assets and liabilities:

(*i*) Recognition:

The Credit Union initially recognizes loans and deposits on the date at which they are originated. Regular way purchases and sales of financial assets are recognized on the trade date at which the Credit Union commits to purchase or sell the asset. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognized on the trade date at which the Credit Union becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

(*ii*) Classification:

On initial recognition, a financial asset is classified as:

- amortized cost;
- fair value through other comprehensive income (“FVOCI”); or
- fair value through profit or loss (“FVTPL”).

A debt security is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL.

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (“SPPI”).

A debt security is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

3. Material accounting policies (continued):

(b) Financial assets and liabilities (continued)

(*ii*) Classification (continued):

On initial recognition of an equity instrument that is not held for trading, the Credit Union may irrevocably elect to present subsequent changes in fair value in other comprehensive income (“OCI”). This election is made on an investment-by-investment basis.

All other financial assets are classified as FVTPL.

In addition, on initial recognition, the Credit Union may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment:

The Credit Union makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Credit Union’s management;
- the strategy of how the risks that affect the performance model are managed; and
- frequency, volume and timing of sales in prior periods and the expectations about future sales activities are considered as part of the overall assessment of how the Credit Union’s stated objective for managing the financial assets is achieved.

Assessment of whether contractual cash flows are SPPI:

In assessing whether the contractual cash flows are SPPI, the Credit Union considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Credit Union considers:

- contingent events that would change the amount and timing of cash flows;
- prepayment and extension terms; and
- terms that may adjust the contractual coupon rate.

3. Material accounting policies (continued):

(b) Financial assets and liabilities (continued)

(*ii*) Classification (continued):

Reclassifications:

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Credit Union changes its business model for managing financial assets. There were no changes to any of the Credit Union's business models for the year ended September 30, 2024 (2023 - no changes).

Financial liabilities:

The Credit Union classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or fair value through profit or loss.

(*iii*) Derecognition:

Financial assets are derecognized when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred. If the Credit Union has neither transferred nor retained substantially all the risks and rewards of the transferred financial asset, it assesses whether it has retained control over the transferred asset. If control has been retained, the Credit Union recognizes the transferred asset to the extent of its continuing involvement. If control has not been retained, the Credit Union derecognizes the transferred asset.

Financial liabilities are derecognized when they have been redeemed or otherwise extinguished.

(*iv*) Offsetting:

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Credit Union has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(*v*) Amortized cost measurement:

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

3. Material accounting policies (continued):

(b) Financial assets and liabilities (continued)

(*vi*) Fair value measurement:

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants on the measurement date.

Valuation techniques include net present value and discounted cash flow models, and comparison with similar instruments for which market observable prices exist. Assumptions used in valuation techniques include risk free and benchmark interest rates, credit spreads and discount rates.

The Credit Union uses widely recognized valuation models for determining the fair value of common and more simple financial instruments, such as interest rate swaps and equity linked options that use only observable market data and require little management judgment and estimation. Availability of observable market prices and model inputs reduces the uncertainty associated with determining fair values.

For more complex instruments, the Credit Union uses proprietary valuation models, which are developed from recognized valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Instruments involving significant unobservable inputs include certain mortgage investments and shares for which there is no active market and retained interest in securitizations.

Management judgment and estimation are required for the selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments and selection of appropriate discount rates.

Financial instruments classified at FVTPL are measured at fair value, with fair value changes recognized immediately in profit or loss.

For financial assets classified as measured at FVOCI, or an irrevocable election has been made, changes in fair value is recognized in OCI. For equity instruments measured at FVOCI, the amounts recognized in OCI are never reclassified to profit and loss. For debt instruments measured at FVOCI, realized gains or losses and impairments are reclassified to profit or loss.

3. Material accounting policies (continued):

(b) Financial assets and liabilities (continued)

(*vii*) Identification and measurement of impairment:

The Credit Union recognizes a loss allowance for Expected Credit Losses ("ECL") at each reporting date for all financial assets that are measured at amortized cost and debt instruments measured at FVOCI.

The ECL model requires the recognition of credit losses based on 12-months of expected losses for performing loans (Stage 1) and recognition of lifetime losses on performing loans that have experienced a significant increase in credit risk ("SICR") since origination but do not have objective evidence of impairment (Stage 2). Credit impaired loans require recognition of lifetime losses (Stage 3). The determination of a significant increase in credit risk takes into account many different factors and varies by product and risk segment, which requires experienced credit judgment.

Loss allowances are measured on either of the following bases:

- 12-month ECL: these are losses that result from possible default events within the 12-months after the reporting date; and
- lifetime ECL: these are losses that result from all possible default events over the expected life of a financial instrument.

ECL is measured as 12-month ECL unless the credit risk on a financial instrument has increased significantly since initial recognition and is therefore placed into Stage 2 or Stage 3.

Assessment of significant increase in credit risk:

The assessment of significant increase in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. Factors considered in the assessment include macroeconomic outlook, management judgment, delinquency and monitoring. The importance and relevance of each specific macroeconomic factor depends on the portfolio, characteristics of the financial instruments, and the borrower. Quantitative models may not always be able to capture all reasonable and supportable information that may indicate a significant increase in credit risk. Qualitative factors may be assessed to supplement the gap.

In determining the amount of loss allowance for ECLs to recognize, the Credit Union assesses at each reporting date whether there has been a SICR. In assessing whether a SICR has occurred, the Credit Union considers quantitative factors, qualitative factors and a rebuttable presumption. A SICR is considered to have occurred when any of three conditions are met. The conditions include a change in the probability of default in excess of predetermined thresholds, the backstop criterion for the portfolio has been met, or other portfolio specific considerations.

3. Material accounting policies (continued):

(b) Financial assets and liabilities (continued):

(*vii*) Identification and measurement of impairment (continued):

Assessment of significant increase in credit risk (continued):

The predetermined thresholds are specific to each portfolio and the initial credit quality of the account. Generally, accounts with higher credit quality would require relatively larger changes in the probability of default to trigger a SICR, while lower credit quality accounts would require relatively smaller changes to trigger a SICR.

For all loans to members, the backstop criterion is met when an account is 30-days past due and will be transferred to Stage 2.

Loans to members are assessed and measured on a collective basis in groups of financial assets that share credit risk characteristics. For this purpose, the Credit Union has grouped its financial assets into segments on the basis of shared credit risk characteristics for each component of the ECL calculation.

For certain instruments with low credit risk as at the reporting date, it is presumed that credit risk has not increased significantly relative to initial recognition. Credit risk is considered to be low if the instrument has a low risk of default and the borrower has the ability to fulfill their contractual obligations both in the short and long term, including periods of adverse changes in the economic or business environment.

Measurement of ECL:

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls, which is the difference between the cash flows due in accordance with the contract and the cash flows expected to be received. The measurement of ECL is based primarily on the product of the following variables: probability of default ("PD"), loss given default ("LGD"), and exposure at default ("EAD").

The PD is an estimate of the likelihood that a loan will not be repaid and will go into default in either a 12-month or lifetime horizon. The LGD is an estimate of the amount that may not be recovered in the event of default. The EAD is an estimate of the outstanding amount of credit exposure at the time a default may occur. These estimates are modelled based on historic data, current market conditions, and reasonable and supportable information about future economic conditions, where appropriate.

3. Material accounting policies (continued):

(b) Financial assets and liabilities (continued):

(*vii*) Identification and measurement of impairment (continued):

Probability of default:

ECLs for Stage 1 assets and lifetime ECLs for Stage 2 and Stage 3 assets are calculated using the 12-month PDs and lifetime PDs, respectively and are determined as follows:

- *Residential mortgages, personal loans and lines of credit* - based on borrower credit scores, and the average historical default rate, for the relevant PD segment.
- *Commercial mortgages, loans and lines of credit* - based on the current internal risk ratings assigned to the assets and the historical default rates provided for the relevant PD segment.

Loss given default:

The LGD reflects the Credit Union's estimate of cash shortfalls in the event of default. The LGD input, expressed as a percentage of EAD, is primarily estimated based on the shortfall in the current collateral values of the financial assets compared to the current book value of the financial asset discounted for the time to obtain and collect on the collateral upon default and the estimated costs to obtain and collect on the collateral.

Forward looking information and macroeconomic factors:

The forward-looking information ("FLI") component represents management's estimate of the impacts on the ECLs of FLI and forecasts of macroeconomic conditions to the Credit Union's ECLs. These macroeconomic factors are based on the credit risk management assessments and are consistent with industry guidelines on typical factors that are relevant to different types of lending products. Management makes forecasts of multiple forward looking and macroeconomic scenarios (base, upside and downside) and their estimated impacts to the ECLs. Multiple scenarios are forecasted to ensure that estimates of ECLs are unbiased. During the years ended September 30, 2024 and 2023, the Credit Union applied industry standard scenario weightings.

The forward looking and macroeconomic factors considered in determining the FLI inputs to the ECL calculation as at September 30, 2024 and 2023 were gross domestic product, interest rates, retail sales, housing starts, net operating surplus, consumer price index, debt ratio, house pricing index and unemployment rate.

Exposure at default:

The EAD is an estimate of a loan exposure amount at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and payments of interest, prepayments, expected drawdowns on committed facilities or any other terms that may alter the cash flow characteristics of the loan.

3. Material accounting policies (continued):

(b) Financial assets and liabilities (continued):

(*vii*) Identification and measurement of impairment (continued):

Exposure at default (continued):

The starting point for determining EAD is the amortization schedule (principal and interest payments) of each loan within the portfolio as set out in the contractual terms of the financial asset. The EAD is adjusted by the expected prepayments (partial or full) prior to maturity on a portfolio basis. For lines of credit, the EAD is determined based on the Credit Union's expectations of drawdowns and repayments on the outstanding loan commitments on a portfolio basis.

Time value of money:

The 12-month and lifetime ECLs at the reporting date represent the present value of the expected cash shortfalls resulting from the probability of defaults occurring over the relevant period after the reporting date. The cash shortfalls have been discounted to the reporting date using the effective interest rate of the underlying loans.

Credit-impaired financial assets:

At each reporting date, the Credit Union assesses whether financial assets measured at amortized cost or FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

When identifying loans to members that are credit-impaired for which the loss allowance for ECLs is calculated individually, as the difference between the gross carrying amount of the financial assets and the present value of estimated future cash flows.

In addition to qualitative considerations, the Credit Union applies the following quantitative thresholds for identifying loans to members that are credit-impaired:

- commercial mortgages, loans and lines of credit with an internal risk rating of R9 - R10 (credit-impaired); or
- the borrower is more than 90-days past due on any credit obligation.

Write-off policy:

When a financial asset is credit-impaired and the Credit Union has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof, the carrying amount of the unrecoverable portion is written off, constituting a derecognition event.

3. Material accounting policies (continued):

(c) Investments:

(i) Term deposits:

Liquidity statutory deposits and other term deposits are initially recognized at fair value including direct and incremental transaction costs, and subsequently valued at amortized cost, using the effective interest method.

(ii) Shares:

These instruments are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition. Subsequently they are carried at fair value, unless they do not have a quoted market price in an active market and fair value is not reliably determinable in which case they are carried at cost. Changes in fair value and realized gains or losses are recognized through profit or loss.

When there is objective evidence of impairment, the full amount of the impairment, including any amount previously recognized in accumulated other comprehensive income, is recognized in net income.

(d) Derecognition of financial assets and liabilities:

Financial assets are derecognized only when the contractual rights to receive cash flows from the assets have expired or transferred and either all of the risks and rewards of ownership have been substantially transferred, or the risks and rewards of ownership have not been retained nor substantially transferred but control has not been retained. Financial liabilities are derecognized when they are extinguished, that is, when the obligation is discharged, is cancelled or expired.

(e) Premises and equipment:

Premises and equipment is initially recorded at cost and subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, with the exception of land which is not depreciated. Depreciation is recognized in net income on a straight-line basis over the estimated useful life of the assets as follows:

Asset	Rate
Buildings	25 years
Furniture and equipment	5 years
Leasehold improvements	Lease term
Computer equipment	5 years

Depreciation methods, useful lives and residual values, are reviewed annually and adjusted if necessary.

3. Material accounting policies (continued):

(e) Premises and equipment (continued):

The gain or loss on disposal of an item of premises and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of premises and equipment, and are recognized net within non-interest income.

(f) Impairment of non-financial assets:

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly, and any impairment charge is recognized in net income.

(g) Income taxes:

Current and deferred income taxes are recognized in net income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

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 or loss.

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 income will be available to 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.

Deferred tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date and are expected to apply when the assets / liabilities are recovered / settled.

3. Material accounting policies (continued):

(h) Deposits:

All deposits are initially measured at fair value, net of any transaction costs directly attributable to the issuance of the instrument. Deposits are subsequently measured at amortized cost, using the effective interest rate method.

(i) Employee benefits:

(*i*) Short-term employee benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(*ii*) Registered Savings Plan contributions:

The Credit Union contributes to employee Registered Savings Plans, recognizing contributions as an expense in the year during which services are rendered by employees. The Credit Union has no legal or constructive obligation to pay further amounts beyond these contributions.

(j) Accounts payable and other payables:

Liabilities for trade creditors and other payables are initially measured at fair value and subsequently carried at amortized cost. Their carrying value is a reasonable estimate of fair value due to their short-term nature.

(k) Provisions:

Provisions are recognized if, as a result of a past event, the Credit Union has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash outflows based on the risks specific to the liability.

(l) Members' shares:

Members' shares are classified as liabilities or as members' equity according to their terms. Where members' shares are redeemable at the option of the member, either on demand or on withdrawal from membership, the member shares are classified as liabilities. Where members' shares are redeemable at the discretion of the Credit Union's Board of Directors, the members' shares are classified as equity.

(m) Foreign currency translation:

Transactions in foreign currencies are translated into the functional currency of the Credit Union at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at prevailing exchange rates at the reporting date. Non-monetary assets and liabilities are translated into Canadian dollars at historical rates. Realized and unrealized gains and losses arising from translation are included in net income.

3. Material accounting policies (continued):

(n) Interest income and expense:

Interest income and expense for interest-bearing financial instruments is recognized within interest income and interest expense using the effective interest method. The effective interest method calculates the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Credit Union estimates future cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation of the effective interest method includes all fees and costs paid or received between parties to the contract that are an integral part of the effective interest rate.

Interest income or expense on settlement of derivative contracts and the ineffectiveness portion of fair value changes in qualifying hedging derivatives designated as cash flow hedges of variability in interest cash flows are included in interest income and interest expense.

(o) Lease payments:

Lease definition:

At inception of a contract, the Credit Union assesses whether a contract is or contains a lease based on the definition of a lease. A contract is, or contains a lease, when the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Recognition and measurement:

The Credit Union recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets are initially measured at the amount of the lease liability, plus any initial direct costs incurred by the Credit Union. Adjustments may also be required for lease incentives, payments made prior to the commencement date of the lease, or restoration obligations.

The right-of-use assets are depreciated to the earlier of the end of the useful life of the right-of-use asset of the lease term, using the straight-line method, to reflect the expected pattern of consumption of the future economic benefits.

Recognition and measurement (continued):

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease, or if that rate is not readily determinable, the Credit Union’s incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method. The lease liability is remeasured when there are changes to the lease term, the Credit Union’s assessment of whether it will exercise a purchase option, a change in an index or a change in the rate used to determine the payments, and the amounts expected to be payable under residual value guarantees.

3. Material accounting policies (continued):

(p) Business combinations:

Acquisitions of businesses are accounted for using the acquisition method.

The consideration for each acquisition is measured at the aggregated of the fair values, at the date of exchange, of assets transferred, liabilities assumed, and equity instruments issued by the Credit Union in exchange for control of the acquiree. Acquisition-related costs are recognized in net income as incurred.

Where appropriate, the cost of acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value (the date in which the Credit Union acquired control of the acquiree). Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are recognized in net income. Changes in the fair value of contingent consideration classified as equity are not recognized.

The Credit Union recognizes any non-controlling interests in its subsidiaries either at fair value or at the non-controlling interest's proportionate share of the subsidiaries assets.

The acquired identifiable assets, and liabilities are recognized at their acquisition date fair values if they meet the definitions of assets and liabilities in the Framework for the preparation and presentation of financial statements at acquisition date and they were exchanged as part of the business combination rather than as the result of separate transactions.

The following are exceptions to this recognition and measurement principle:

- Deferred tax assets or liabilities are recognized and measured in accordance with IAS 12, *Income Taxes*;
- Liabilities or assets related to the acquiree's employee benefit arrangements are recognized and measured in accordance with IAS 19, *Employee Benefits*;
- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with those of the Credit Union are measured in accordance with IFRS 2, *Share-Based Payments at the Acquisition Date*;
- Asset and disposal groups that are classified as held-for-sale in accordance with IFRS 5, *Non-current Assets Held-for-Sale and Discontinued Operations* are measured at fair value less costs to sell;
- Contingent liabilities are recognized at the acquisition date even if is not probable that an outflow of economic benefits will be required to settle the obligation;

3. Material accounting policies (continued):

(p) Business combinations (continued):

- Indemnification assets are recognized at the same time and measured at the same basis as the indemnified item, subject to a valuation allowance for uncollectable amounts. This may lead to exceptions if the indemnified item is itself an exception; and
- The value of a reacquired right is measured as an intangible asset on the basis of the remaining contractual term regardless of whether market participants would consider potential contractual renewals in determining its fair value.

(q) Accounting standards adopted - Amendments to IAS 1, *Presentation of Financial Statements*:

Effective October 1, 2023, the Credit Union adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2). The amendments require the disclosure of “material”, rather than “significant”, accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in this note in certain instances. Management reviewed the accounting policies and made updates to the information disclosed in line with the amendments.

(r) Comparative information:

Certain comparative information has been updated to conform with current year presentation.

4. Critical accounting estimates and judgments:

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Credit Union’s accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The principal areas involving a higher degree of judgment or complexity and/or areas which require significant estimates are described below:

(a) Expected credit losses on loans to members:

The Credit Union regularly reviews its loan portfolio to assess for impairment. The calculation of 12-month expected losses for Stage 1 loans and lifetime expected losses for Stage 2 and Stage 3 loans requires management to make estimates of the probabilities of default, current collateral values and resulting loss given default, exposure at default, impacts of forward-looking information and forecasts of macroeconomic conditions to the Credit Union’s ECLs and expected remaining lives of the loans. Changes in any one of the inputs to the ECL calculation can significantly affect the amount of loss allowance recognized in the financial statements.

5. Cash and cash equivalents:

	2024	2023
Cash and current accounts	$ 32,810,813	$ 29,283,515
Term deposits, callable or term of three months or less	127,563,670	85,413,200
Accrued interest	682,998	213,677
	$ 161,057,481	$ 114,910,392

6. Investments:

The below table provides information on the investments by type of security and issuer. The maximum exposure to credit risk is the carrying value as detailed below.

	2024	2023
Shares:		
Central 1 Credit Union	$ 223,815	$ 205,102
Other	1,299	10,419
Term deposits, callable or term of greater than three months	39,403,809	33,109,535
Accrued interest and dividends	614,990	230,281
Debt securities:		
Government bonds	35,542,327	19,757,491
Corporate bonds	3,929,786	8,616,558
Mortgage-backed securities	40,600,838	44,194,140
Accrued interest on debt securities	363,250	332,600
	$ 120,680,114	$ 106,456,126

The fair value of term deposits with Central 1 is $167,740,684 at September 30, 2024 (2023 - $116,997,682), which include amounts recorded in cash and cash equivalents and investments.

The shares in Central 1 are required as a condition of membership and are redeemable upon withdrawal of membership or at the discretion of the Board of Directors of Central 1. In addition, the member credit unions are subject to additional capital calls at the discretion of the Board of Directors of Central 1.

The Credit Union holds Class A shares of Central 1, that are subject to an annual balancing mechanism and are issued and redeemable at par. The Credit Union holds Class E shares of Central 1, that are redeemable at the option of the Credit Union.

The Credit Union retains membership and Central 1 shares as Central 1 supplies services that are relevant to the Credit Union’s day-to-day activities. Dividends on these shares are at the discretion of the Board of Directors of Central 1.

Credential Securities and Central 1 Credit Union act as the custodian and asset manager of the debt securities, respectively for the Credit Union.

7. Loans:

The following table provides information on loans by type. The maximum exposure to credit risk would be the carrying values as detailed below:

	2024	2023
Residential mortgages	$ 481,168,084	$ 450,115,091
Commercial mortgages	145,587,397	164,807,039
Personal and other	5,492,080	5,088,127
	632,247,561	620,010,257
Accrued interest	1,433,123	2,043,076
Allowance for credit losses	(1,450,705)	(1,452,491)
	$ 632,229,979	$ 620,600,842

At September 30, 2024, $400,043,605 (2023 - $394,550,139) fixed and $18,630,457 (2023 - $24,605,359) variable loans are expected to be settled more than 12-months after the reporting date.

A breakdown of loans by type of security held on a gross portfolio basis, excluding accrued interest, is as follows:

	2024	2023
Loans - insured	$ 57,256,795	$ 26,547,147
Loans - real estate secured	569,498,686	588,374,982
Loans - otherwise secured	1,261,462	811,567
Loans - unsecured	4,230,618	4,276,561
	$ 632,247,561	$ 620,010,257

7. Loans (continued):

(a) Reconciliation of allowance for ECL under IFRS 9 for the year ended September 30, 2024:

	Stage 1	Stage 2	Stage 3	Total
Residential mortgages:				
Balance, October 1, 2023	$ 211,722	$ 114,846	$ 92,121	$ 418,689
Net remeasurement	(144,673)	58,546	48,310	(37,817)
Originations	12,087	-	-	12,087
Derecognitions and maturities	(11,486)	(6,915)	(92,121)	(110,522)
Transfers to Stage 1	-	(72,098)	6,061	(66,037)
Transfers to Stage 2	72,098	-	9,855	81,953
Transfers to Stage 3	(6,061)	(9,855)	-	(15,916)
Balance, September 30, 2024	$ 133,687	$ 84,524	$ 64,226	$ 282,437
Personal loans:				
Balance at October 1, 2023	$ 308,261	$ 76,435	$ 5,799	$ 390,495
Net remeasurement	(160,231)	35,424	5,169	(119,638)
Originations	16,002	14,116	-	30,118
Derecognitions and maturities	(25,427)	(12,216)	-	(37,643)
Transfers to Stage 1	-	(35,903)	(5,673)	(41,576)
Transfers to Stage 2	35,903	-	-	35,903
Transfers to Stage 3	5,673	-	-	5,673
Balance, September 30, 2024	$ 180,181	$ 77,856	$ 5,295	$ 263,332
Commercial mortgages:				
Balance at October 1, 2023	$ 242,541	$ (702)	$ 401,468	$ 643,307
Net remeasurement	(6,118)	215,790	295,074	504,746
Originations	65,929	-	-	65,929
Derecognitions and maturities	(59,046)	-	(250,000)	(309,046)
Transfers to Stage 1	-	15,797	3,377	19,174
Transfers to Stage 2	(15,797)	-	(50,000)	(65,797)
Transfers to Stage 3	(3,377)	50,000	-	46,623
Balance, September 30, 2024	$ 224,132	$ 280,885	$ 399,919	$ 904,936
Total loans to members:				
Balance at October 1, 2023	$ 762,524	$ 190,579	$ 499,388	$ 1,452,491
Net remeasurement	(311,022)	309,760	348,553	347,291
Originations	94,018	14,116	-	108,134
Derecognitions and maturities	(95,959)	(19,131)	(342,121)	(457,211)
Transfers to Stage 1	-	(92,204)	3,765	(88,439)
Transfers to Stage 2	92,204	-	(40,145)	52,059
Transfers to Stage 3	(3,765)	40,145	-	36,380
Balance, September 30, 2024	$ 538,000	$ 443,265	$ 469,440	$ 1,450,705

7. Loans (continued):

(b) Reconciliation of allowance for ECL under IFRS 9 for the year ended September 30, 2023:

	Stage 1	Stage 2	Stage 3	Total
Residential mortgages:				
Balance, October 1, 2022	$ 176,982	$ 191,837	$ 151,879	$ 520,698
Net remeasurement	(151,856)	43,515	(33,267)	(141,608)
Originations	79,262	38,407	-	117,669
Derecognitions and maturities	(13,313)	(64,757)	-	(78,070)
Transfers to Stage 1	-	(94,156)	(26,491)	(120,647)
Transfers to Stage 2	94,156	-	-	94,156
Transfers to Stage 3	26,491	-	-	26,491
Balance, September 30, 2023	$ 211,722	$ 114,846	$ 92,121	$ 418,689
Personal loans:				
Balance at October 1, 2022	$ 150,048	$ 183,429	$ 35,607	$ 369,084
Net remeasurement	(103,124)	19,810	(2,393)	(85,707)
Originations	120,583	11	-	120,594
Derecognitions and maturities	(6,501)	(2,115)	(4,860)	(13,476)
Transfers to Stage 1	-	(142,316)	(4,939)	(147,255)
Transfers to Stage 2	142,316	-	(17,616)	124,700
Transfers to Stage 3	4,939	17,616	-	22,555
Balance, September 30, 2023	$ 308,261	$ 76,435	$ 5,799	$ 390,495
Commercial mortgages:				
Balance at October 1, 2022	$ 305,912	$ 20,133	$ 137,502	$ 463,547
Net remeasurement	(27,496)	(11)	376,184	348,677
Originations	121,676	-	-	121,676
Derecognitions and maturities	(138,670)	(20,070)	(131,853)	(290,593)
Transfers to Stage 1	-	(754)	19,635	18,881
Transfers to Stage 2	754	-	-	754
Transfers to Stage 3	(19,635)	-	-	(19,635)
Balance, September 30, 2023	$ 242,541	$ (702)	$ 401,468	$ 643,307
Total loans to members:				
Balance at October 1, 2022	$ 632,942	$ 395,399	$ 324,988	$ 1,353,329
Net remeasurement	(282,476)	63,314	340,524	121,362
Originations	321,521	38,418	-	359,939
Derecognitions and maturities	(158,484)	(86,942)	(136,713)	(382,139)
Transfers to Stage 1	-	(237,226)	(11,795)	(249,021)
Transfers to Stage 2	237,226	-	(17,616)	219,610
Transfers to Stage 3	11,795	17,616	-	29,411
Balance, September 30, 2023	$ 762,524	$ 190,579	$ 499,388	$ 1,452,491

7. Loans (continued):

(c) Credit quality of loans:

Summary of loans, including accrued interest, that are individually impaired or potentially impaired as a result of a repayment delinquency greater than one day:

	2024 Carrying amount			2023 Carrying amount		
	Real estate secured	Otherwise secured or unsecured	Total	Real estate secured	Otherwise secured or unsecured	Total
Period of delinquency:						
1 to 30 days	$ 7,380,071	$ 58,489	$ 7,438,560	$ 2,957,856	$ 19,175	$ 2,977,031
31 to 90 days	3,579,053	-	3,579,053	3,105,086	-	3,105,086
Over 90 days	6,103,828	571	6,104,399	16,935,186	-	16,935,186
Total loans in arrears	17,062,952	59,060	17,122,012	22,998,128	19,175	23,017,303
Total loans not in arrears	-	-	616,558,672	-	-	599,036,030
Total loans, including accrued interest	$ 17,062,952	$ 59,060	$ 633,680,684	$ 22,998,128	$ 19,175	$ 622,053,333

8. Premises and equipment, intangible assets and right-of-use assets:

	Premises and equipment					Intangible assets		
	Building	Leasehold improvement	Furniture and equipment	Computer equipment	Total	Computer software	Banking system software	Total
Cost:								
Balance at September 30, 2022	$ 879,001	$ 2,261,460	$ 1,929,973	$ 628,574	$ 5,699,008	$ 49,884	$ 970,748	$ 1,020,632
Additions	-	224,703	156,776	15,038	396,517	-	48,116	48,116
Disposals	-	-	-	(58,453)	(58,453)	(4,320)	-	(4,320)
Balance at September 30, 2023	879,001	2,486,163	2,086,749	585,159	6,037,072	45,564	1,018,864	1,064,428
Additions	-	1,518,084	164,366	83,917	1,766,367	-	-	-
Disposals	(879,001)	(692,349)	(714,612)	(84,665)	(2,370,627)	-	-	-
Balance at September 30, 2024	$ -	$ 3,311,898	$ 1,536,503	$ 584,411	$ 5,432,812	$ 45,564	$ 1,018,864	$ 1,064,428
Accumulated depreciation:								
Balance at September 30, 2022	$ 796,847	$ 1,845,081	$ 1,889,493	$ 394,940	$ 4,926,361	$ 36,431	$ 919,120	$ 955,551
Depreciation expense	41,076	63,866	39,619	104,805	249,366	5,386	48,554	53,940
Disposals	-	-	-	(50,411)	(50,411)	(4,320)	-	(4,320)
Impairment	-	-	-	(4,022)	(4,022)	-	-	-
Balance at September 30, 2023	837,923	1,908,947	1,929,112	445,312	5,121,294	37,497	967,674	1,005,171
Depreciation expense	3,423	63,866	44,591	85,781	197,661	2,646	23,879	26,525
Disposals	(841,346)	(692,349)	(698,375)	(84,567)	(2,316,637)	-	-	-
Impairment	-	-	(8,118)	(49)	(8,167)	-	-	-
Balance at September 30, 2024	$ -	$ 1,280,464	$ 1,267,210	$ 446,477	$ 2,994,151	$ 40,143	$ 991,553	$ 1,031,696
Net book value:								
As at September 30, 2023	$ 41,078	$ 577,216	$ 157,637	$ 139,847	$ 915,778	$ 8,067	$ 51,190	$ 59,257
As at September 30, 2024	-	2,031,434	269,293	137,934	2,438,661	5,421	27,311	32,732

8. Premises and equipment, intangible assets and right-of-use assets (continued):

Right-of-use assets consists of head-office and branch premises leased by the Credit Union.

Right-of-use assets	2024	2023
Balance, opening	$ 2,915,393	$ 3,226,591
Additions	-	389,842
Disposals	-	-
Depreciation	(676,093)	(701,040)
Balance, ending	$ 2,239,300	$ 2,915,393

9. Provision for income taxes:

The total provision for income taxes of $317,924 (2023 - $125,164) in the Statement of Comprehensive Income is at a rate less than the combined federal and provincial statutory income tax rate of the applicable year for the following reasons:

	2024	2023
Combined federal and provincial statutory rate	27.0%	27.0%
Rate reduction available to credit unions	(10.0)%	(10.0)%
Change in estimate of future tax rates for deferred tax assets	-%	-%
Origination and reversal of temporary differences	(11.2)%	(1.6)%
Non-deductible and other items	3.0%	7.8%
Effective income tax rate	8.8%	23.2%

The components of deferred income tax balances are as follows:

	2024	2023
Allowance for credit losses	$ 174,795	$ 170,517
Deferred items	400,816	516,763
Accruals	119,101	118,303
Premises, equipment and leases	(255,718)	(429,604)
Deferred income tax balances	$ 438,994	$ 375,979

10. Deposits:

	2024	2023
Demand	$ 374,602,602	$ 383,074,969
Term	384,830,631	314,552,351
Registered savings plans	100,465,570	98,016,510
Accrued interest	10,060,447	7,328,167
	$ 869,959,250	$ 802,971,997

At September 30, 2024, $89,561,541 (2023 - $97,491,429) of deposits are expected to be settled more than 12-months after the reporting date.

11. Borrowings:

The Credit Union maintains credit facility arrangements with Central 1 for up to the maximum amounts as approved by the Board of Directors in the amount of $48,000,000 (2023 - $48,000,000). The credit facility arrangements are secured by all present and future property of the Credit Union in excess of property maintained to meet regulated liquidity requirements under the *Financial Institutions Act* of British Columbia. At September 30, 2024, the credit facility was unutilized (2023 - unutilized).

12. Members' shares:

The members' shares of the Credit Union are divided into two classes of shares being membership shares and non-equity shares. All of the Credit Union's member shares are classified as financial liabilities, initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument, and subsequently carried at amortized cost using the effective interest rate method. Non-equity shares are included within deposits.

(a) Number of shares outstanding:

	Membership shares	Non-equity shares	Total
Balance, September 30, 2022	$ 1,111,406	$ 63,019	$ 1,174,425
Issued during the year (note 26)	122,777	-	122,777
Redeemed during the year	(33,277)	(13,500)	(46,777)
Balance, September 30, 2023	1,200,906	49,519	1,250,425
Issued during the year	16,371	-	16,371
Redeemed during the year	(67,180)	(49,519)	(116,699)
Balance, September 30, 2024	$ 1,150,097	$ -	$ 1,150,097
Authorized shares	Unlimited	Unlimited	

13. Lease liabilities:

The following table presents the contractual undiscounted cash flows for lease obligations:

Maturity analysis	2024	2023
Less than one year	$ 578,463	$ 772,118
Between one and five years	1,654,410	1,898,517
More than five years	630,890	965,246
Total undiscounted lease liabilities	$ 2,863,763	$ 3,635,881
Lease liabilities included in Statement of Financial Position:		
Current	$ 566,636	$ 756,656
Non-current	1,850,848	2,300,771
Total	$ 2,417,484	$ 3,057,427

The Credit Union has used an incremental borrowing rate ranging between 4.0% - 5.6% to discount its lease liabilities (2023 - 4.0% - 5.6%). During the year ended September 30, 2024, the total cash outflow for leases were $772,118 (2023 - $798,980).

14. Other liabilities:

	2024	2023
Accounts payable and accrued liabilities	$ 3,493,713	$ 2,481,248
Deferred fee income	491,776	479,730
	$ 3,985,489	$ 2,960,978

15. Related party transactions:

Related parties of the Credit Union include key management personnel and close family members of key management personnel and entities which are controlled or jointly controlled, by key management personnel or their close family members. Key management personnel are persons having authority and responsibility for planning, directing, and controlling the activities of the Credit Union, directly or indirectly, including the Credit Union’s Executive Management Team and Board of Directors.

15. Related party transactions (continued):

Transactions and balances with related parties in the normal course of business were as follows:

	2024	2023
Compensation:		
Salaries and short-term employee benefits	$ 2,522,091	$ 2,373,454
Banking services:		
Loans and lines of credit outstanding	$ 14,523,507	$ 13,038,645
Undisbursed loans and lines of credit	1,639,788	3,182,569
Terms and savings deposits	1,370,837	1,115,363
Members' shares	1,656	1,526
	$ 17,535,788	$ 17,338,103

The Credit Union's policy for lending to, and for receiving deposits from, key management personnel is that the loans are approved and deposits accepted on the same terms and conditions which apply to members for each class of loan or deposit. The employees of the Credit Union are eligible for reduced interest rates on personal loans, lines of credit and mortgages. At the reporting date, the Credit Union recorded a fair value adjustment of $277,307 (2023 - $412,476) to recognize related party loans, lines of credit, and mortgages at the market interest rate.

During the year, the Credit Union's Board of Directors received aggregate remuneration of $92,723 (2023 - $94,615), which is included in compensation to key management personnel in the table above.

A Director who was appointed to the Board of Directors during fiscal 2015 is the owner and operator of a business that has supplied appraisal services to the Credit Union for a number of years. Services purchased during the year from the Director's business totaled $27,767 (2023 - $25,536). Key management personnel who are the partial owners of businesses that have supplied marketing related services to the Credit Union total $30,043 (2023 - nil).

16. Risk management framework:

The Credit Union's business activities involve the measurement, evaluation, acceptance and management of some degree of risk. The Credit Union has in place a risk management approach that involves the identification, analysis, evaluation and management of a number of factors. These factors, if not prudently managed, could adversely affect the resources, operations, reputation, and financial results of the Credit Union. A primary risk facing the Credit Union is exposure from the use of financial instruments to assist in the management of credit, liquidity, and market risks.

16. Risk management framework (continued):

In the normal course of business, the Credit Union is exposed to credit risk, liquidity risk, and market risk. For all of the risks noted below, there has been no change in how the Credit Union manages those risks from the previous year.

(a) Risk management framework:

Senior management is responsible for establishing the framework for identifying risks and developing appropriate policies and procedures. The Board of Directors, either directly or through its committees, reviews or approves the key policies and receives regular reporting in order to monitor ongoing compliance in areas of significant risk.

The Credit Union's risk management policies are established to identify and analyze the risks faced by the Credit Union, to set appropriate risk limits and controls, and to monitor results and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, member needs and the products and services offered.

The Investment and Loan Committee ("ILC") of the Board of Directors is charged with reviewing and recommending the Credit Union's Investment and Lending Policy ("ILP"). The ILP contains policies and limits with respect to credit, liquidity and market risks. All revisions to the ILP are required to be approved by the Board of Directors and the policy is subject to annual review. In addition, the ILC ensures that senior management implements the policies and procedures to manage credit, liquidity, and market risks, and oversees the compliance to the ILP by reviewing reports prepared by senior management.

The Audit Committee of the Board of Directors is responsible for monitoring compliance with the Credit Union's financial reporting policies and procedures, and for reviewing the adequacy of the risk management activities for risks faced by the Credit Union. The Audit Committee is assisted in these functions by the Internal Audit function. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(b) Credit risk:

Credit risk is the risk of financial loss to the Credit Union if a member or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk primarily is centered in the Credit Union's lending activities, but is also present in other activities, including the Credit Union's investment and derivative portfolio.

(*i*) Management of credit risk:

Credit risk rating systems are designed to assess and quantify the risk inherent in credit activities in an accurate and consistent manner. To assess credit risk, the Credit Union takes into consideration the member's character, ability to pay, and value of collateral available to secure the loan. The Credit Union's credit risk management principles are guided by its overall risk management principles.

16. Risk management framework (continued):

(b) Credit risk (continued):

(*i*) Management of credit risk (continued):

Under senior management direction, the Credit Department is responsible for oversight, review and revision of key credit policies and procedures, and credit granting and portfolio limits. The Credit Department reviews reports related to portfolio credit quality, geographic, product and industry concentrations, and adequacy of loan allowances.

Upon identification of changing risk conditions, the Credit Department takes action to maintain acceptable levels of risk. On a regularly basis, management provides reports on these matters to the ILC. Specifically, the Credit Department is responsible for:

- recommending to the ILC the authorization structure for the approval and renewal of credit facilities;
- assessing all credit exposures within designated limits, prior to facilities being committed to members and recommending credit exposures in excess of designated limits to the ILC prior to facilities being committed to members;
- maintaining concentrations of exposure to counterparties, geographies and industries within limits established by the ILP and recommending appropriate changes in limits for consideration by the ILC;
- reviewing compliance of business units with agreed exposure limits, including those for selected industries and product types; and
- providing advice, guidance and specialist skills to business units to promote best practices throughout the Credit Union in the management of credit risk.

Credit risk is managed in accordance with the Credit Union's ILP, which has been approved by the Board of Directors. Risk limits and credit authorities are delegated to senior credit management staffs, who in turn, delegate appropriate limits to line management. Within its credit approval structure, the Credit Union has a Management Credit Committee which, under authority granted by the Board of Directors, holds the senior level credit granting authority below the credit granting authority of the ILC.

This Committee is comprised of senior officers of the Credit Union; it reviews all significant credit requests and reports its activities to the ILC and recommends credit applications that exceed its limits for approval by the ILC.

(*ii*) Maximum exposure to credit risk:

Management and the Board of Directors reviews and updates the credit risk policy annually. The maximum exposure of the Credit Union to credit risk before taking into account any collateral held is the carrying amount of the financial assets as disclosed on the Statement of Financial Position.

16. Risk management framework (continued):

(b) Credit risk (continued):

(ii) Maximum exposure to credit risk (continued):

For loan commitments and other credit-related commitments that are irrevocable, the maximum exposure to credit risk without taking account of any collateral held is the full amount of the committed facilities.

The following tables set out information about the credit quality of the Credit Union's loans to members measured at amortized cost, by category of loss allowance at September 30, 2024.

The amounts in the table represent the exposure at default ("EAD").

Residential mortgages and personal loans	12-month EAD	Lifetime EAD not credit-impaired	Lifetime EAD credit-impaired	Total 2024	Total 2023
Level 1 - Low	$ 494,110,338	$ -	$ -	$ 494,110,338	$ 468,228,148
Level 2 - Moderate	-	14,297,288		14,297,288	12,695,636
Level 3 - High	-	-	4,615,589	4,615,589	1,207,005
	494,110,338	14,297,288	4,615,589	513,023,215	482,130,789
Allowance for loan losses	(313,810)	(162,437)	(69,521)	(545,768)	(809,183)
Carrying amount	$ 493,796,528	$ 14,134,851	$ 4,546,068	$ 512,477,447	$ 481,321,606

Commercial loans and mortgages	12-month EAD	Lifetime EAD not credit-impaired	Lifetime EAD credit-impaired	Total 2024	Total 2023
Level 1 - Low	$ 128,919,427	$ -	$ -	$ 128,919,427	$ 150,345,468
Level 2 - Moderate	-	14,286,706	-	14,286,706	3,513
Level 3 - High	-	-	8,398,521	8,398,521	20,293,118
	128,919,427	14,286,706	8,398,521	151,604,654	170,642,099
Allowance for loan losses	(224,844)	(281,641)	(398,451)	(904,936)	(643,308)
Carrying amount	$ 128,694,583	$ 14,005,065	$ 8,000,070	$ 150,699,718	$ 169,998,791
Balance, September 30	$ 622,491,111	$ 28,139,916	$ 12,546,138	$ 663,177,165	$ 651,320,398

The following table presents the maximum exposure to credit risk of recognized and non-recognized financial instruments. For financial assets recognized on the Statement of Financial Position, the maximum exposure to credit risk without taking account of any collateral held, equals their carrying amount.

16. Risk management framework (continued):

(b) Credit risk (continued):

(*ii*) Maximum exposure to credit risk (continued):

For loan commitments and other credit-related commitments that are irrevocable, the maximum exposure to credit risk without taking account of any collateral held, is the full amount of the committed facilities.

	2024	2023
Exposure - recognized assets:		
Loans and accrued interest	$ 633,680,684	$ 622,053,333
Term deposits and other securities	248,018,670	191,867,482
	881,699,354	813,920,815
Exposure - non-recognized assets:		
Letters of credit	1,239,942	1,611,922
Guarantees to credit card companies	271,000	88,500
Unadvanced loans and lines of credit	100,789,889	88,546,966
	102,300,831	90,247,388
Maximum exposure	$ 984,000,185	$ 904,168,203

(*iii*) Collateral and other credit enhancements:

The Credit Union's lending policy requires the assessment of the member's capacity to repay, rather than relying excessively on the underlying collateral security. Nevertheless, collateral can be an important mitigant of credit risk. Depending on the member's standing and the type of product, facilities may be unsecured.

The principal collateral types include mortgages over residential properties or charges over other personal assets being financed and charges over business assets such as land, buildings, and equipment.

(*iv*) Credit risk profile of debt securities:

The following table discloses the breakdown of debt securities held (including accrued interest), by credit rating:

	2024	2023
R-1H	$ 3,818,375	$ 943,143
AAA	40,773,420	45,408,054
AA (high)	4,172,461	1,840,916
AA (low)	28,812,501	21,941,327
A (low)	1,891,007	1,828,394
BBB (high)	968,437	938,955
	$ 80,436,201	$ 72,900,789

16. Risk management framework (continued):

(c) Liquidity risk:

Liquidity risk is the risk that the Credit Union cannot meet a demand for cash or fund its obligations as they come due or will have to obtain resources to mitigate a risk position at an excessive cost. The Credit Union's management oversees the Credit Union's liquidity risk to ensure the Credit Union has access to enough readily available funds to cover its financial obligations as they come due. The Credit Union's business requires such liquidity to satisfy legislative requirements, regulatory guidelines, and business operations.

(*i*) Management of liquidity risk:

The Board of Directors have adopted a Liquidity Plan to manage the Credit Union's liquidity risk. The Executive Management provides management oversight related to compliance with the Liquidity Plan and is responsible for ensuring that liquidity risks are identified and assessed, and that appropriate policies are in place and effective.

Under senior management's direction, the Finance Department is responsible for oversight and review of key liquidity policies, limits, and funding management. The Finance Department manages liquidity by monitoring and managing cash flows and the availability of credit facilities and wholesale funding in accordance with approved policies.

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

Day-to-day liquidity is managed within these policies and is reported to the Executive Management. Senior management provides reports on these matters to the Board of Directors. Specifically, the Finance Department is responsible for:

- projecting cash flows under various stress scenarios and considering the level of liquid assets necessary in relation thereto;
- monitoring liquidity ratios against regulatory and internal policy limits;
- maintaining a diverse range of funding sources;
- managing the concentration and profile of debt maturities;
- monitoring depositor concentration in order to avoid undue reliance on large individual depositors and ensuring a satisfactory overall funding mix; and
- maintaining liquidity and funding contingency plans.

16. Risk management framework (continued):

(c) Liquidity risk (continued):

(i) Management of liquidity risk (continued):

Liquidity risk is managed in accordance with the Credit Union’s Investment and Lending Policy; Liquidity and Funding Risk Management Policy, Liquidity Contingent Plan; Liquidity Stress Testing Plan; and Risk Appetite Statement which have been approved by the Board of Directors. Risk limits and transactional approval authorities are delegated to senior management. The Credit Union has liquidity risk management frameworks in place to provide oversight of its investment portfolio to comply with the relevant regulatory guidelines.

Credit Union maintained an amount of statutory liquidity deposits at a level significantly in excess of related legislative and regulatory requirements. See notes 18 and 24 for information on cash flows payable under financial liabilities and contractual obligations by remaining contractual maturities.

(d) Market risk:

Market risk is the risk of loss from adverse movements in market prices of financial instruments.

(i) Management of market risk:

Market risk is managed in accordance with the Credit Union’s Investment and Lending Policy and Risk Appetite Statement which have been approved by the Board of Directors.

The Credit Union is exposed to low levels of foreign exchange risk arising from its United States dollar denominated cash and member deposits. Management actively monitors the net foreign exchange risk to ensure it is within the Credit Union’s Risk Appetite Statement.

The Credit Union manages pricing risk on its debt securities portfolio through the use of current market values from recognized independent market data providers. The Credit Union incurs pricing risk on its loans, term deposits and investments held. See note 18 for further information on fair value of financial instruments.

(e) Interest rate risk:

Interest rate risk is defined as the risk of loss from adverse fluctuations in interest rates. The Credit Union incurs interest rate risk on its loans and other interest-bearing financial instruments. See note 17 for further information. The Credit Union recognizes the need to balance sustainable earnings; appropriate liquidity; and adequate capital. The Credit Union’s objective for effective management of liquidity risk is to maintain a balance sheet profile that will result in a reasonably stable level of earnings, regardless of the direction of interest rates. The level of interest risk to which the Credit Union is exposed varies depending the composition of the Credit Union’s investment, lending, and deposit portfolios.

16. Risk management framework (continued):

(e) Interest rate risk (continued):

(*i*) Management of interest rate risk:

Interest rate risk is managed in accordance with the Credit Union's Investment and Lending Policy; Liquidity Management Policy; Contingent Funding Plan; and Risk Appetite Statement which have been approved by the Board of Directors.

Management is responsible for the identification, measurement, assessment and monitoring of interest rate risks; and for adopting appropriate, effective oversight processes.

The Credit Union oversees interest rate risk through the activities of its Asset and Liability Committee; Investment and Lending Committee; and Risk and IT Committees.

17. Interest rates sensitivity:

The Credit Union is exposed to interest rate risk as a consequence of the mismatch, or gap between financial assets and liabilities scheduled to reprice on particular dates. Maturity dates substantially coincide with interest adjustment dates. Amounts with floating interest rates, or due on demand, are classified as maturing within three months, regardless of maturity. Amounts that are not interest sensitive are grouped together, regardless of maturity.

The table below does not incorporate management's expectation of future events where repricing or maturity dates of certain loans and deposits differ significantly from the contractual dates:

September 30, 2024	Assets	Yield (%)	Liabilities and equity	Cost (%)	Asset / liability gap
Maturity dates:					
Fixed rate:					
0 - 3 months	$ 187,283,283	3.65	$ 95,548,713	3.85	$ 91,734,570
4 - 12 months	115,092,455	4.41	283,882,696	3.79	(168,790,241)
1 - 2 years	212,041,400	3.50	63,980,652	4.18	148,060,748
2 - 3 years	139,314,921	4.51	14,528,549	2.71	124,786,372
3 - 4 years	53,681,056	4.66	9,370,849	4.00	44,310,207
Over 4 years	33,160,567	5.04	1,681,491	3.46	31,479,076
	740,573,682		468,992,950		271,580,732
Non-interest rate sensitive	11,209,928	-	269,586,902	-	(258,376,974)
Variable rate	170,006,687	7.02	183,210,445	2.47	(13,203,758)
Total	$ 921,790,297		$ 921,790,297		$ -

17. Interest rates sensitivity (continued):

September 30, 2024	Assets	Yield (%)	Liabilities and equity	Cost (%)	Asset / liability gap
Maturity dates					
Fixed rate:					
0 - 3 months	$ 127,872,200	3.62	$ 75,270,544	3.80	$ 52,601,656
4 - 12 months	91,861,521	4.01	224,407,633	3.72	(132,546,112)
1 - 2 years	118,754,324	3.91	66,684,446	4.03	52,069,878
2 - 3 years	202,774,872	3.09	18,477,781	4.22	184,297,091
3 - 4 years	90,465,467	4.00	3,474,367	4.11	86,991,100
Over 4 years	31,908,725	5.28	8,854,835	4.20	23,053,890
	663,637,109		397,169,606		266,467,503
Non-interest rate sensitive	7,128,827	-	264,306,935	-	(257,178,108)
Variable rate	178,525,378	8.18	187,814,773	3.03	(9,289,395)
Total	$ 849,291,314		$ 849,291,314		$ -

18. Financial instrument classification and fair value:

The following table discloses the carrying values by classification of the Credit Union's financial instruments. The table does not include assets and liabilities that do not meet the definition of a financial instrument.

2024	FVTPL	FVOCI	Amortized cost	Total carrying value
Cash and cash equivalents	$ -	$ -	$ 161,057,481	$ 161,057,481
Investments	225,114	-	40,018,799	40,243,913
Investment securities	-	80,072,951	363,250	80,436,201
Loans	-	-	632,229,979	632,229,979
Other assets	-	-	30	30
Deposits	-	-	(869,959,250)	(869,959,250)
Members' shares	-	-	(1,150,097)	(1,150,097)
Current income tax payable	-	-	(581,513)	(581,513)
Other liabilities	-	-	(3,985,489)	(3,985,489)
Net financial instruments	$ 225,114	$ 80,072,951	$ (42,006,810)	$ 38,291,255

2023	FVTPL	FVOCI	Amortized cost	Total carrying value
Cash and cash equivalents	$ -	$ -	$ 114,910,392	$ 114,910,392
Investments	206,401	9,120	33,339,816	33,555,337
Investment securities	-	72,568,189	332,600	72,900,789
Loans	-	-	620,600,842	620,600,842
Other assets	-	-	117,064	117,064
Deposits	-	-	(802,971,997)	(802,971,997)
Members' shares	-	-	(1,200,906)	(1,200,906)
Current income tax receivable	-	-	98,272	98,272
Other liabilities	-	-	(2,960,978)	(2,960,978)
Net financial instruments	$ 206,401	$ 72,577,309	$ (37,734,895)	$ 35,048,815

18. Financial instrument classification and fair value (continued):

The following table presents the fair values of the Credit Union's financial instruments. The fair values of financial assets and liabilities with fixed interest rates have been determined using discounted cash flow techniques based on interest rates being offered for similar types of assets and liabilities with similar terms and risks as at the reporting date. The fair values of financial assets and liabilities with floating interest rates are assumed to equal their book values, as the interest rates on these instruments automatically re-price to market rates. The fair value of investment securities is determined using current market values from independent market data providers. Fair values of other financial assets and liabilities are assumed to approximate their book values, primarily due to their short-term nature. Fair values have not been determined for any asset or liability that is not a financial instrument. Due to the judgment used in calculating fair value amounts, fair values are not necessarily comparable among financial institutions. The calculation of estimated fair values is based on market conditions at the reporting date and may not be reflective of future fair values. Changes in interest rates are the main cause of changes in the fair value of the Credit Union's financial instruments. All values in the following table have been rounded to the nearest thousand dollars:

			2024	2023
	Book value	Estimated fair value	Fair value over (under) book value	Fair value over (under) book value
Assets:				
Cash resources	$ 32,811	$ $32,811	$ -	$ -
Term deposits	168,265	167,644	(621)	(2,368)
Investment securities	80,661	80,661	-	-
Loans	632,230	618,607	(13,623)	(30,032)
Current income tax payable	-	-	-	-
Other assets	-	-	-	-
	913,967	899,723	(14,244)	(32,400)
Liabilities:				
Members' shares	1,150	1,150	-	-
Deposits	869,959	871,333	1,374	(2,730)
Current income tax payable	582	582	-	-
Payables and accruals	3,985	3,985	-	-
	875,676	877,050	1,374	(2,730)
Net difference	$ 38,291	$ 22,673	$ (15,618)	$ (29,670)

For the assets and liabilities not measured at fair value in the Statement of Financial Position but for which fair value is disclosed in the table above, the fair value measurements are determined using Level 2 inputs, with the exception of cash resources, for which fair value measurements are determined using Level 1 inputs.

18. Financial instrument classification and fair value (continued):

The levels of the fair value hierarchy are defined as follows. Fair value measurements are analyzed according to a fair value hierarchy with the following three levels:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Inputs for the asset or liability that are not based on observable market data.

The fair value of financial assets and financial liabilities are classified in their entirety into one of the three levels:

2024	Level 1	Level 2	Level 3	Total
Central 1 Credit Union - Class A shares	$ -	$ -	$ 223,815	$ 223,815
Other equity investments	-	-	1,299	1,299
Government bonds	-	35,542,327	-	35,542,327
Corporate bonds	-	3,929,786	-	3,929,786
Mortgage-backed securities	-	40,600,838	-	40,600,838
	$ -	$ 80,072,951	$ 225,114	$ 80,298,065

2023	Level 1	Level 2	Level 3	Total
Central 1 Credit Union - Class A shares	$ -	$ -	$ 205,102	$ 205,102
Other equity investments	9,120	-	1,299	10,419
Government bonds	-	19,757,491	-	19,757,491
Corporate bonds	-	8,616,558	-	8,616,558
Mortgage-backed securities	-	44,194,140	-	44,194,140
	$ 9,120	$ 72,568,189	$ 206,401	$ 72,783,710

No transfers have been made into or out of Level 3 during the year.

The following table reconciles the Credit Union’s Level 3 fair value measurements:

	Central 1 shares	Other investments	Total Level 3 instruments
Balance, September 30, 2022	$ 209,648	$ 1,264	$ 210,912
Issuance of shares at par value	-	-	-
Redemption of shares at par value	(20,608)	-	(20,608)
Brought forward balance from merger	16,062	35	16,097
Balance, September 30, 2023	205,102	1,299	206,401
Issuance of shares at par value	18,713	-	18,713
Redemption of shares at par value	-	-	-
Balance, September 30, 2024	$ 223,815	$ 1,299	$ 225,114

19. Interest income:

Cash and cash equivalents and investments:

	2024	2023
Interest income from financial assets held at amortized cost	$ 7,828,231	$ 5,193,532
Interest income from financial assets held at FVOCI	2,791,450	1,866,208
	$ 10,619,681	$ 7,059,740

20. Non-interest income:

	2024	2023
Account service fees	$ 833,357	$ 816,359
Credit card fees	115,355	105,436
Foreign exchange revenues	152,755	168,820
Impairment losses on FVOCI investments	(9,120)	(31,291)
Insurance commissions	65,537	84,960
Loan administrative fees	427,388	561,699
Miscellaneous	238,373	216,021
Mortgage penalty income	158,743	89,254
Realized gain on sale of property*	2,632,345	-
Safety and night depository fees	34,506	36,655
	$ 4,649,239	$ 2,047,913

* The Credit Union sold its Vancouver branch location resulting in the recognition of a gain.

21. Administrative expenses:

	2024	2023
Central 1 Credit Union service charges	$ 339,878	$ 273,791
Data processing	1,515,656	1,363,432
Dues and assessments	489,877	590,368
Electronic transaction processing	62,040	56,474
Loan expenses	96,522	76,822
Marketing and strategic planning	458,751	320,470
Member account transactions costs	239,332	131,316
Office	711,575	589,885
Other expense	118,624	681,665
Premises and equipment	839,513	812,779
Professional services	1,187,645	1,479,420
Staff training and human resources expenses	668,021	623,367
	$ 6,727,434	$ 6,999,789

22. Other comprehensive income, net of taxes:

	2024	2023
Net unrealized loss on cash flow hedges	$ -	$ (21,577)
Net movement in unrealized gain on debt instruments at FVOCI	1,927,476	440,159
Net movement in unrealized gain/loss on equity investments at FVOCI	-	12,691
Total other comprehensive income, net of income taxes	$ 1,927,476	$ 431,273

23. Capital management:

The Credit Union manages capital with the objective to fund existing and future operations and to meet regulatory capital requirements.

Capital is managed in accordance with a policy approved by the Board of Directors. It is the Credit Union's policy to maintain a prudent relationship between the capital base and the underlying risks of the business, in order to support business growth and expansion of services to members. The Credit Union has a capital plan to ensure that long-term capital requirements are met. The capital plan is monitored throughout the year and updated on an annual basis.

In the management of capital, the Credit Union includes retained earnings, contributed surplus and member shares totaling $43,918,253 (2023 - $41,300,080).

Provincial legislation requires the Credit Union to maintain a capital base equal to at least 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. These assigned risk factors have been determined by the provincial authority that regulates all credit unions in the province. As at September 30, 2024 and 2023, the Credit Union has met its minimum regulatory requirements.

There has been no change in the overall capital requirements strategy employed during the year ended September 30, 2024.

24. Commitments and contingencies:

(a) Letters of credit:

In the normal course of business, the Credit Union issues letters of credit on behalf of its members. At September 30, 2024, the Credit Union has issued letters of credit on behalf of members in the amount of $1,239,942 (2023 - $1,611,922). These letters of credit are fully secured.

24. Commitments and contingencies (continued):

(b) Guarantees:

At September 30, 2024, the Credit Union has guaranteed Visa credit card repayments on behalf of members in the amount of $271,000 (2023 - $88,500). These guarantees are unsecured.

(c) Contractual obligations:

The Credit Union has contractual payments for banking system software maintenance and data hosting services.

The future minimum banking system software maintenance payments for each of the next five fiscal years and thereafter are as follows:

	Software	Hosting
2025	$ 118,000	$ 774,000
2026	118,000	745,000
2027	59,000	4,000
2028 and thereafter	-	-

(d) Contingencies and provisions:

In the ordinary course of business, the Credit Union has legal proceedings brought against it and provisions have been recognized in accounts payable and accrued liabilities where appropriate. Provisions recognized are based on management's best estimate of the future obligations. Based on current knowledge, the Credit Union expects the final determination of these claims will not have a material adverse effect on the Statement of Financial Position or operating results.

25. Funds under administration:

Funds under administration by the Credit Union comprise loans that have been syndicated and administered in the capacity as an agent. It also includes investment portfolios and mutual fund accounts that are managed on behalf of members. The Credit Union also administers loans under the federal government's Canada Emergency Business Account ("CEBA") loan program.

Funds under administration are kept separate from Credit Union assets and therefore are not reflected in the Statement of Financial Position.

	2024	2023
Syndicated loans	$ 6,447,854	$ 6,598,272
Investment portfolios and mutual funds	47,484,415	33,991,521
CEBA loans	1,150,627	6,323,700
	$ 55,082,896	$ 46,913,493

26. Business combination:

Business combinations are accounted for using the acquisition method.

Effective October 1, 2022 (the acquisition date), the Credit Union acquired CCEC pursuant to Section 16(3) of the *Credit Union Incorporation Act*. The Superintendent of Financial Institutions provided consent to the proposed Asset Transfer Agreement between the Credit Union and CCEC on July 12, 2022, which was later approved by the membership of CCEC on August 16, 2022.The merger of the Credit Union with CCEC was to increase capacity while expanding services and opportunities for the combined membership of the Credit Union and CCEC.

On the acquisition date, each membership equity share of CCEC was exchanged for one equity share of the Credit Union (subject to specific conditions as outlined in the approved Asset Transfer Agreement).

	Fair value on acquisition date
Cash and cash equivalents	$ 14,256,766
Investments	10,871,657
Loans	23,298,254
Premises and equipment	41,504
Intangible assets	23,299
Right of use assets	381,341
Income taxes receivable	21,390
Deferred income taxes	39,100
Other assets	109,192
Total assets	49,042,503
Deposits	46,117,588
Lease liabilities	381,341
Other liabilities	107,920
Total liabilities	46,606,849
Net identifiable assets and liabilities	2,435,654
Member shares on acquisition	121,727
Contributed surplus on acquisition	$ 2,313,927

27. Subsequent events:

The Credit Union opened a new branch location in Richmond, British Columbia in October 2024.