

Community Credit Union of Cumberland Colchester Limited
Financial Statements
December 31, 2024

Community Credit Union of Cumberland Colchester Limited

Contents

For the year ended December 31, 2024

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Independent Auditor's Report

To the Members of Community Credit Union of Cumberland Colchester Limited:

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS® Accounting Standards 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 report. We are independent of the Credit Union in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Sydney, Nova Scotia

April 29, 2025

MNP LLP

Chartered Professional Accountants

Community Credit Union of Cumberland Colchester Limited

Statement of Financial Position

As at December 31, 2024

	2024	2023
Assets		
Cash and cash equivalents (Note 5)	18,204,704	28,902,148
Members' loans (Note 6)	164,675,681	151,860,513
Investments (Note 7)	4,966,202	5,223,165
Income taxes receivable	164,172	-
Other assets	1,551,121	1,247,134
Property and equipment (Note 8)	7,924,948	4,644,423
Right-of-use assets (Note 8)	178,792	235,689
Deferred taxes (Note 12)	125,376	218,177
	197,790,996	192,331,249
Liabilities		
Members' deposits and accrued interest (Note 9)	187,352,894	181,803,713
Payables and accruals (Note 10)	346,270	1,152,546
Income taxes payable	-	137,809
Lease liabilities (Note 11)	204,163	299,666
Members' shares (Note 14)	172,550	163,491
	188,075,877	183,557,225
Commitments (Note 16)		
Events after the reporting period (Note 11), (Note 23)		
Members' Equity		
Surplus shares (Note 15)	1,010,812	1,060,585
Retained earnings	8,704,307	7,713,439
	9,715,119	8,774,024
	197,790,996	192,331,249

Approved on behalf of the Board

Signed by:

Daniel Roper

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Director

Signed by:

Mick Parker

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Director

The accompanying notes are an integral part of these financial statements

Community Credit Union of Cumberland Colchester Limited

Statement of Comprehensive Income

For the year ended December 31, 2024

	2024	2023
Income		
Loan interest	8,201,800	6,886,383
Investment income	889,768	1,219,814
	9,091,568	8,106,197
Interest and loan related expenses		
Interest on member deposits	3,316,202	2,347,221
Interest on lease liabilities <i>(Note 11)</i>	9,283	13,120
Patronage dividend to members <i>(Note 10)</i>	47,272	61,204
	3,372,757	2,421,545
Provision for loan losses <i>(Note 6)</i>	80,000	360,596
Financial margin	5,638,811	5,324,056
Other income <i>(Note 19)</i>	1,457,203	1,253,849
Income before operating expenses	7,096,014	6,577,905
Operating expenses		
Salaries and benefits	2,506,436	2,248,272
Administrative expenses <i>(Schedule 1)</i>	2,251,824	1,848,611
Occupancy expenses <i>(Schedule 2)</i>	360,680	328,357
CUDIC assessment	212,261	215,446
Depreciation of property and equipment <i>(Note 8)</i>	478,309	409,316
	5,809,510	5,050,002
Income before provision for (recovery of) income taxes	1,286,504	1,527,903
Provision for (recovery of) income taxes <i>(Note 12)</i>		
Current	202,835	360,901
Deferred	92,801	(62,177)
	295,636	298,724
Comprehensive income	990,868	1,229,179

The accompanying notes are an integral part of these financial statements

Community Credit Union of Cumberland Colchester Limited

Statement of Changes in Members' Equity

For the year ended December 31, 2024

	<i>Surplus shares</i>	<i>Retained earnings</i>	<i>Members' equity</i>
Balance January 1, 2023	1,089,757	6,484,260	7,574,017
Comprehensive income	-	1,229,179	1,229,179
Surplus shares redeemed	(29,172)	-	(29,172)
Balance December 31, 2023	1,060,585	7,713,439	8,774,024
Comprehensive income	-	990,868	990,868
Surplus shares issued	1,048	-	1,048
Surplus shares redeemed	(50,821)	-	(50,821)
Balance December 31, 2024	1,010,812	8,704,307	9,715,119

The accompanying notes are an integral part of these financial statements

Community Credit Union of Cumberland Colchester Limited

Statement of Cash Flows

For the year ended December 31, 2024

	2024	2023
Cash provided by (used for) the following activities		
Operating activities		
Comprehensive income	990,868	1,229,179
Depreciation of property and equipment	478,309	409,316
Interest on lease liabilities	9,283	13,120
Deferred taxes	92,801	(62,177)
Provision for loan impairment losses	80,000	360,596
Gain on disposal of property and equipment	(63,774)	-
	1,587,487	1,950,034
Changes in working capital accounts		
Net increase in members' loans	(12,795,690)	(12,802,026)
Net increase in members' deposits	4,919,770	16,416,062
Income taxes payable	(301,981)	95,924
Other assets	(303,987)	(875,557)
Payables and accruals	(783,312)	824,664
Patronage interest payable	(22,964)	581
Accrued interest payable	629,411	565,178
Accrued interest receivable	(99,478)	(62,353)
	(7,170,744)	6,112,507
Financing activities		
Payments for lease liabilities	(104,786)	(112,286)
Net decrease in membership and surplus shares	(40,714)	(21,427)
	(145,500)	(133,713)
Investing activities		
Net increase in investments	256,963	(158,624)
Purchases of property and equipment	(3,967,405)	(1,874,816)
Proceeds from disposal of property and equipment	329,242	-
	(3,381,200)	(2,033,440)
Increase (decrease) in cash and cash equivalents	(10,697,444)	3,945,354
Cash and cash equivalents, beginning of year	28,902,148	24,956,794
Cash and cash equivalents, end of year	18,204,704	28,902,148

Supplementary cash flow information (Note 13)

The accompanying notes are an integral part of these financial statements

Community Credit Union of Cumberland Colchester Limited

Notes to the Financial Statements

For the year ended December 31, 2024

1. Reporting entity

Community Credit Union of Cumberland Colchester Limited (the "Credit Union") was formed pursuant to the Credit Union Act of NS ("the Act"). The address of the Credit Union's registered office is 33 Prince Arthur Street, Amherst, Nova Scotia.

The Credit Union operates as one segment principally in personal and commercial banking in Truro and Amherst, Nova Scotia. Operating branches are similar in terms of products and services provided, methods used to distribute products and services, types of members and the nature of the regulatory environment.

The Credit Union conducts its principal operations through three branches, offering products and services including deposit business, individual lending, and independent business and commercial lending. The deposit business provides a wide range of deposit and investment products and sundry financial services to all members. The lending business provides a variety of credit products and services designed specifically for each particular group of borrowers. Other business comprises business of a corporate nature such as real estate and insurance, investment, risk management, asset liability management, treasury operations and revenue and expenses not expressly attributed to the business units.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board ("IASB").

The financial statements were approved by the board of directors and authorized for issue on April 29, 2025.

2. Change in accounting policies

Voluntary change in accounting policy

Property and equipment

Effective January 1, 2024, the Credit Union voluntarily changed its accounting policy with respect to the method of depreciating its property and equipment. Property and equipment is now depreciated using the declining balance method, rather than on a straight line basis. The new accounting policy provides reliable and more relevant information.

The application of this change in accounting policy was done prospectively and did not have a material impact on the financial statements of the Credit Union. The impact of the change in accounting policy is presented in Note 8.

3. Basis of preparation

Basis of measurement

The financial statements have been prepared using the historical basis except for the revaluation of certain financial instruments. The material accounting policies are set out in Note 4.

Functional and presentation currency

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

Significant accounting judgments, estimates and assumptions

The preparation of the Credit Union's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. These estimates and assumptions have been made using careful judgment; however, uncertainties could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future.

Community Credit Union of Cumberland Colchester Limited

Notes to the Financial Statements

For the year ended December 31, 2024

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

The estimates and underlying assumptions are prepared based on management's best knowledge of current events and actions that the Credit Union may undertake in the future. These estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognized prospectively in comprehensive income in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Macroeconomic environment

The Credit Union faces inherent uncertainty in estimating the impact that inflation, local housing markets and international trade relations may have on the macroeconomic environment. As a result, a heightened level of judgment in estimating expected credit losses (ECL's) continues to be required.

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

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

Classification of financial assets

Classification of financial assets requires management to make judgments regarding the business model under which the Credit Union's financial assets are held and whether contractual cash flows consist solely of payments of principal and interest. Management has determined that the penalty to exercise prepayment features embedded in certain loans made to retail members does not result in payments that are not solely payments of principal and interest because they represent reasonable additional compensation for early termination of the contract.

Key assumptions in determining the allowance for expected credit losses

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

- Expected significant increase in unemployment rates and interest rates
- Declining revenues, working capital deficiencies, increases in balance sheet leverage and liquidity.
- Expected or actual changes in internal credit ratings of the borrowers or external credit ratings of the instrument
- The correlation between credit risk on all lending facilities of the same borrower
- Changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements

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

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

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

Community Credit Union of Cumberland Colchester Limited

Notes to the Financial Statements

For the year ended December 31, 2024

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

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

- Interest rates
- Unemployment rates
- Loan to value ratios
- Consumer Price Index
- Bankruptcy rates
- Insolvency rates
- Inflation

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

Other

Other financial statement items that use estimates include the estimated useful lives of property and equipment, and certain accrued liabilities.

Critical judgments in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended or not terminated. The initial assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that it is within the control of the lessee.

4. Summary of material accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

Regulations to the Act specify that certain items are required to be disclosed in the financial statements which are presented at annual meetings of members. It is management's opinion that the disclosures in these financial statements and notes comply, in all material respects, with the requirements of the Act. Where necessary, reasonable estimates and interpretations have been made in presenting this information.

Financial instruments

Financial assets

Recognition and initial measurement

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

Classification and subsequent measurement

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

Community Credit Union of Cumberland Colchester Limited

Notes to the Financial Statements

For the year ended December 31, 2024

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

Financial assets are classified as follows:

- Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of deposits with Atlantic Central classified as cash and cash equivalents, investments and members' loans.
- Mandatorily at fair value through profit or loss - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. Financial assets mandatorily measured at fair value through profit or loss include cash and cash equivalents other than those identified above.
- Designated at fair value through profit or loss – On initial recognition, the Credit Union may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. The Credit Union measures equity investments at fair value.

Business model assessment

The Credit Union assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed and information is provided to management. Information considered in this assessment includes stated policies and objectives and how performance of the portfolio is evaluated.

Contractual cash flow assessment

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

Reclassifications

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

Impairment

The Credit Union recognizes a loss allowance for the expected credit losses associated with its financial assets, other than debt instruments measured at fair value through profit or loss and equity investments, as well as lease receivables, contract assets, and any financial guarantee contracts and loan commitments not measured at fair value through profit or loss. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The date the Credit Union commits to purchasing a financial asset is considered the date of initial recognition for the purpose of applying the Credit Union's accounting policies for impairment of financial assets.

Community Credit Union of Cumberland Colchester Limited

Notes to the Financial Statements

For the year ended December 31, 2024

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

For members' loans the Credit Union records a loss allowance equal to the expected credit losses resulting from default events that are possible within the next 12-month period ("Stage 1"), unless there has been a significant increase in credit risk since initial recognition ("Stage 2"). For those financial assets for which the Credit Union assessed that a significant increase in credit risk has occurred, the Credit Union records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Credit Union applies the simplified approach for trade receivables and/or contract assets that do not contain a significant financing component. Using the simplified approach, the Credit Union records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Credit Union assesses whether a financial asset is credit-impaired at the reporting date ("Stage 3"). Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts, breaches of borrowing contracts such as default events or breaches of borrowing covenants, and requests to restructure loan payment schedules. For financial assets assessed as credit-impaired at the reporting date, the Credit Union continues to recognize a loss allowance equal to lifetime expected credit losses.

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

- For financial assets measured at amortized cost, as a deduction from the gross carrying amount of the financial assets;
- For loan commitments and financial guarantee contracts, as a provision; and
- For facilities with both a drawn and undrawn component where the Credit Union cannot separately identify expected credit losses between the two components, as a deduction from the carrying amount of the drawn component. Any excess of the loss allowance over the carrying amount of the drawn component is presented as a provision.

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

Refer to Note 21 for additional information about the Credit Union's credit risk management process, credit risk exposure and the amounts arising from expected credit losses.

Derecognition of financial assets

The Credit Union applies its accounting policies for the derecognition of a financial asset to a part of a financial asset only when:

- The part comprises only specifically identified cash flows from a financial asset;
- The part comprises only a pro-rata share of the cash flows from a financial asset; or
- The part comprises only a pro-rata share of specifically identified cash flows from a financial asset.

In all other situations the Credit Union applies its accounting policies for the derecognition of a financial asset to the entirety of a financial asset.

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

For this purpose, a financial asset is transferred if the Credit Union either:

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

Community Credit Union of Cumberland Colchester Limited

Notes to the Financial Statements

For the year ended December 31, 2024

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

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

Where substantially all risks and rewards of ownership have been transferred, or risks and rewards have neither been transferred nor retained and control of the financial asset has not been retained, the Credit Union derecognizes the financial asset. At the same time, the Credit Union separately recognizes as assets or liabilities the fair value of any rights and obligations created or retained in the transfer. Any difference between the carrying amount measured at the date of recognition and the consideration received is recognized in profit or loss.

Modification of financial assets

The Credit Union assesses the modification of terms of a financial asset to evaluate whether its contractual rights to the cash flows from that asset have expired in accordance with the Credit Union's derecognition policy.

When the modifications do not result in derecognition of the financial asset, the gross carrying amount of the financial asset is recalculated with any difference between the previous carrying amount and the new carrying amount recognized in profit or loss. The new gross carrying amount is recalculated as the present value of the modified contractual cash flows discounted at the asset's original effective interest rate.

For the purpose of applying the impairment requirements, at each reporting date subsequent to the modification, the Credit Union continues to assess whether there has been a significant increase in credit risk on the modified financial assets from the date of initial recognition.

Financial liabilities

Recognition and initial measurement

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

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

Classification and subsequent measurement

Subsequent to initial recognition, financial liabilities are measured at amortized cost using the effective interest method. Interest, gains and losses relating to a financial liability are recognized in profit or loss.

Derecognition of financial liabilities

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

Dividend income

Dividend income is recorded in profit or loss when the Credit Union's right to receive payments is established, it is probable that the economic benefits associated with the dividend will flow to the Credit Union, and the amount of the dividend can be measured reliably.

Interest

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

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments over the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortized cost of the financial liability. The effective interest rate is calculated considering all contractual terms of the financial instruments, except for the expected credit losses of financial assets.

Community Credit Union of Cumberland Colchester Limited

Notes to the Financial Statements

For the year ended December 31, 2024

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

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

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

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

Collateral

The Credit Union recognizes the proceeds from the sale of any non-cash collateral that has been pledged to it and a liability measured at fair value for its obligation to return the collateral.

If a debtor defaults under the terms of its contract and is no longer entitled to the return of any collateral, the Credit Union recognizes the collateral as an asset initially measured at fair value or, if it has already sold the collateral, derecognizes its obligation to return the collateral.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Credit Union's cash management system.

Investments and deposits

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

Share investments

Share investments are measured at fair value through profit or loss with adjustments to fair value recognized in profit or loss.

Debentures

Investments in debentures and term deposits are measured at amortized cost.

Members' loans

Members' loans are initially measured at fair value, net of loan origination fees and inclusive of transaction costs incurred. Members' loans are subsequently measured at amortized cost. Amortized cost is calculated as the loans' principal amount, less any allowance for anticipated losses. Interest revenue is recorded on the accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the carrying amount of the financial asset.

Property and equipment

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

All assets having limited useful lives are depreciated using the declining balance method over their estimated useful lives. Land has an unlimited useful life and is therefore not depreciated. Assets are depreciated from the date of acquisition. The depreciation rates applicable for each class of asset during the current and comparative period are as follows:

Community Credit Union of Cumberland Colchester Limited

Notes to the Financial Statements

For the year ended December 31, 2024

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

	Method	Rate
Buildings	declining balance	5 %
Furniture and fixtures	declining balance	20 %
Computers	declining balance	45 %
Vaults	declining balance	20 %
Paving	declining balance	8 %
Right-of-use assets	straight-line	lease term
Leasehold improvements	straight line	lease term

The residual value, useful life and depreciation method applied to each class of assets are reassessed at each reporting date.

Gains or losses on the disposal of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset, and recognized in comprehensive income as other income or other operating costs, respectively.

Impairment of non-financial assets

At the end of each reporting period, the Credit Union reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Credit Union estimates the recoverable amount of the cash-generating units ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU's, or otherwise they are allocated to the smallest group of CGU's for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

Members' deposits

Members' savings and deposits are initially recognized at fair value, net of transaction costs directly attributable to the issuance of the instrument, and are subsequently measured at amortized cost using the effective interest rate method.

Income taxes

The Credit Union accounts for income taxes using the asset and liability method. Current tax and deferred tax are recognized in profit or loss except to the extent that the tax is recognized either in other comprehensive income or directly in equity, or the tax arises from a business combination. Under this method, the provision for income taxes is based on the tax rate and tax laws that have been substantively enacted by the end of the reporting period.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

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

Community Credit Union of Cumberland Colchester Limited

Notes to the Financial Statements

For the year ended December 31, 2024

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

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

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

Member shares

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

Leases

The Credit Union assesses at inception of a contract, whether the contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Credit Union assesses whether the member has the following through the period of use:

- The right to obtain substantially all of the economic benefits from use of the identified asset; and
- The right to direct the use of the identified asset.

Where the Credit Union is a lessee in a contract that contains a lease component, the Credit Union allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

At the lease commencement date, the Credit Union recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at cost. The cost of the right-of-use asset is comprised of the initial amount of the lease liability, any lease payments made at or before the commencement date less any lease incentives received, initial direct costs incurred by the Credit Union, and an estimate of the costs to be incurred by the Credit Union in dismantling and removing the underlying asset and restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

After the commencement date, the Credit Union measures right-of-use assets related to property and equipment and naming rights by applying the cost model, whereby the right-of-use asset is measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liability. The right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the lease term or the end of the useful life of the right-of-use asset. The estimated useful life of the right-of-use assets are determined on the same basis as those of property and equipment. The determination of the depreciation period is dependent on whether the Credit Union expects that the ownership of the underlying asset will transfer to the Credit Union by the end of the lease term or if the cost of the right-of-use asset reflects that the Credit Union will exercise a purchase option.

The lease liability is initially measured at the present value of the lease payments not paid at the lease commencement date, discounted using the interest rate implicit in the lease or the Credit Union's incremental borrowing rate, if the interest rate implicit in the lease cannot be readily determined. The lease payments included in the measurement of the lease liability comprise fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, amounts expected to be payable by the Credit Union under a residual value guarantee, the exercise price of a purchase option that the Credit Union is reasonably certain to exercise, and payment of penalties for terminating the lease if the lease term reflects the Credit Union exercising an option to terminate the lease. After the commencement date, the Credit Union measures the lease liability at amortized cost using the effective interest method.

Community Credit Union of Cumberland Colchester Limited

Notes to the Financial Statements

For the year ended December 31, 2024

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

The Credit Union remeasures the lease liability when there is a change in the lease term, a change in the Credit Union's assessment of an option to purchase the underlying asset, a change in the Credit Union's estimate of amounts expected to be payable under a residual value guarantee, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments. On remeasurement of the lease liability, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Credit Union has elected to not recognize right-of-use assets and lease liabilities for short-term leases of equipment where the term leases are leases with a term of twelve months or less or for low value leases where the underlying asset has a new value of \$5,000 USD or less. The Credit Union recognizes the lease payments associated with these leases as an expense on either a straight-line basis over the lease term or another systematic basis if that basis is more representative of the pattern of the lessee's benefit.

Revenue recognition

Service charge fees and commission

The Credit Union generates revenue from providing various financing and investing services to its members. Revenue is recognized as services are rendered.

The Credit Union does not have an enforceable right to payment until services are rendered and commission revenue is earned when the products are sold.

The amount of revenue recognized on these transactions is based on the price specified in the contract.

The Credit Union does not expect to have any contracts where the period between the transfer of the promised goods or services to a member and payment by the member exceeds one year. Consequently, the Credit Union does not adjust any of the transaction prices for the time value of money.

Revenue recognition for items outside the scope of IFRS 15 are included in the financial instruments accounting policy.

Employee benefits

The Credit Union's post employment benefit programs consist of a defined contribution plan.

Contributions to defined contribution plans are recognized as an expense when employees have rendered service to the Credit Union during the period, entitling them to the contributions. Pension benefits of \$104,830 (2023 - \$93,278) were paid to the defined contribution retirement plan during the year.

Short-term employee benefits include salaries and wages, employee benefits, allowances, bonuses and burdens. Short-term employee benefits are expected to be paid in exchange for services rendered by employees in the year. They are expensed as the related services are provided.

Foreign currency translation

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

Mortgages held under administration

Under a Mortgage Origination Program, the Credit Union referred certain mortgages to a third party. These mortgages, which are under the Credit Unions administration, are not the property of the Credit Union and are not reflected on the statement of financial position. Mortgages are derecognized when the contractual rights to the cash flows from the asset have expired, or the Credit Union transfers the contractual rights to receive the cash flows from the mortgage, or has assumed an obligation to pay those cash flows to a third party and all of the risks and rewards of ownership of that mortgage have been transferred to a third party. Fees earned to administer and service these mortgages are recognized as the services are performed and reported in other income.

Community Credit Union of Cumberland Colchester Limited

Notes to the Financial Statements

For the year ended December 31, 2024

5. Cash and cash equivalents

	2024	2023
Cash on hand - fair value through profit and loss	1,319,997	978,749
Bank indebtedness - fair value through profit and loss (Note 17)	-	(1,364,764)
Cash management and liquidity deposits - amortized cost	16,884,707	24,288,163
Short-term deposits with interest rates ranging from 5.01% to 5.13%	-	5,000,000
	18,204,704	28,902,148

6. Members' loans

Principal and allowance by loan type:

				2024	
	Principal performing	Principal impaired	Allowance specific	Allowance for expected credit losses	Net carrying value
Commercial loans and mortgages	27,766,866	527,028	31,364	40,715	28,221,815
Lines of credit	10,155,649	357,777	59,241	167,874	10,286,311
Personal	16,793,944	330,834	159,361	27,803	16,937,614
Residential mortgages	101,624,838	298,395	11,010	35,527	101,876,696
Syndicated loans	6,199,156	824,756	49,486	37,195	6,937,231
Accrued Interest	416,014	-	-	-	416,014
Total	162,956,467	2,338,790	310,462	309,114	164,675,681

				2023	
	Principal performing	Principal impaired	Allowance specific	Allowance for expected credit losses	Net carrying value
Commercial loans and mortgages	23,963,618	84,493	8,185	78,339	23,961,587
Lines of credit	9,035,367	331,235	59,829	155,087	9,151,686
Personal	14,346,425	272,000	196,110	27,422	14,394,893
Residential mortgages	95,277,228	309,143	48,543	60,334	95,477,494
Syndicated loans	8,575,468	-	-	17,151	8,558,317
Accrued Interest	316,536	-	-	-	316,536
Total	151,514,642	996,871	312,667	338,333	151,860,513

Community Credit Union of Cumberland Colchester Limited

Notes to the Financial Statements

For the year ended December 31, 2024

6 Members' loans (Continued from previous page)

Members' loans can have either variable or fixed rate of interest and they mature within 1 month to 5 years. The rates offered to members' are determined by the type of security offered, the members' credit worthiness, competition from other lenders and the current prime rate.

In addition to members' loans noted above, the Credit Union administers mortgages in the amount of \$4,176,810 (2023 - \$1,858,093). During the year, the Credit Union derecognized \$3,099,283 (2023 - nil) of mortgages. Premiums of \$113,878 (2023 - nil) were recognized relating to this transaction.

Commercial loans that are not subject to a government guarantee are all secured by collateral ranging from specific assets such as vehicles, investments, and property to a general security agreement or personal guarantee.

Syndicated loans consist of conventional commercial mortgages, loans and lines of credit maturing within five years and secured by commercial property. The Credit Union receives monthly amounts from the loan administrators which represent blended payments of principal and interest equal to its percentage interests in the loans, less an administration fee.

The allowance for loan impairment changed as follows:

	2024	2023
Balance, beginning of year	651,000	475,581
Provision for loan losses	80,000	360,596
Less: accounts written off, net of recoveries	111,424	185,177
Balance, end of year	619,576	651,000

7. Investments

	2024	2023
Measured at amortized cost		
Atlantic Central debenture maturing May 1, 2025 bearing interest at 4.75%	1,047,630	1,000,000
Investment in Community Impact Investment Co-op Fund maturing in July 2028, bearing interest at 3.00%	1,000,000	1,000,000
	2,047,630	2,000,000
Measured at fair value through profit or loss		
Atlantic Central - common shares	1,389,297	1,616,390
Atlantic Central - provincial shares	257,000	257,000
Atlantic Central - LSM shares	612,057	612,057
League Data Limited - Class B preferred shares	258,450	32,830
Concentra Bank shares	-	300,000
CU Financial Management Limited	367,688	367,688
Other	951	951
	2,885,443	3,186,916
Accrued interest	33,129	36,249
Total	4,966,202	5,223,165

Community Credit Union of Cumberland Colchester Limited

Notes to the Financial Statements

For the year ended December 31, 2024

8. Property and equipment

	<i>Land</i>	<i>Buildings</i>	<i>Furniture and fixtures</i>	<i>Paving</i>	<i>Right-of-use asset</i>	<i>Leasehold improvements</i>	<i>Total</i>
Cost							
Balance at January 1, 2023	468,818	2,799,793	2,097,310	317,762	640,054	498,508	6,822,245
Additions	-	1,769,260	105,556	-	-	-	1,874,816
Balance at December 31, 2023	468,818	4,569,053	2,202,866	317,762	640,054	498,508	8,697,061
Balance at January 1, 2024	468,818	4,569,053	2,202,866	317,762	640,054	498,508	8,697,061
Additions	-	3,687,969	244,416	-	-	35,020	3,967,405
Disposals	-	(657,088)	-	-	-	-	(657,088)
Balance at December 31, 2024	468,818	7,599,934	2,447,282	317,762	640,054	533,528	12,007,378
Accumulated amortization and impairment losses							
Balance January 1, 2023	-	1,151,455	1,684,864	151,671	347,468	72,175	3,407,633
Depreciation	-	175,806	114,012	12,749	56,897	49,852	409,316
Balance at December 31, 2023	-	1,327,261	1,798,876	164,420	404,365	122,027	3,816,949
Balance at January 1, 2024	-	1,327,261	1,798,876	164,420	404,365	122,027	3,816,949
Depreciation	-	204,523	123,775	10,131	56,897	53,353	448,679
Disposals	-	(391,620)	-	-	-	-	(391,620)
Change in policy adjustment (Note 2)	-	(127,454)	102,856	26,704	-	27,524	29,630
Balance at December 31, 2024	-	1,012,710	2,025,507	201,255	461,262	202,904	3,903,638
Net book value							
At December 31, 2023	468,818	3,241,792	403,990	153,342	235,689	376,481	4,880,112
At December 31, 2024	468,818	6,587,224	421,775	116,507	178,792	330,624	8,103,740

Community Credit Union of Cumberland Colchester Limited

Notes to the Financial Statements

For the year ended December 31, 2024

9. Members' deposits and accrued interest

	2024	2023
Chequing and savings	114,023,755	119,413,453
RRSP and RRIF	10,567,759	10,058,185
Term deposits	61,053,069	51,253,175
Accrued interest on deposits	1,708,311	1,078,900
	187,352,894	181,803,713

10. Payables and accruals

Included in payables and accruals is a patronage dividend of \$47,272 (2023 - \$70,236). The patronage dividend is authorized by the Board of Directors and is allocated to members annually as bonus interest on deposits.

11. Leases (as lessee)

Right-of-use assets

Right-of-use assets of the Credit Union have been disclosed within the property and equipment note to the financial statements. Refer to Note 8. for information pertaining to right-of-use assets arising from lease arrangements in which the Credit Union is a lessee.

Lease liabilities

The following table sets out the contractual undiscounted cash flows for lease liabilities:

	2024	2023
Less than one year	69,086	104,786
1 to 3 years	109,600	123,886
More than 3 years	39,600	94,400
Total undiscounted lease liabilities	218,286	323,072

Total cash outflow for leases for the year ended December 31, 2024 was \$104,786 (2023 - \$112,286).

The lease liabilities were discounted at the incremental borrowing rate of 4.2%.

Amounts recognized in comprehensive income

The Credit Union has recognized the following amounts in the statement of comprehensive income:

	2024	2023
Interest expense on lease liabilities	9,283	13,120
Depreciation on right-of-use assets	56,897	56,897

Subsequent to year-end, the Credit Union entered into a lease agreement with Pugwash Co-operative Limited to lease a building in Pugwash, Nova Scotia. This building will be used to operate a Credit Union branch. The lease term will commence when the Credit Union takes occupancy of the location on May 1, 2025. The monthly lease payment is \$25 per square foot, plus applicable HST, increasing by 2.5% per year starting in 2027. Total future cash outflows relating to this lease are \$ 7,163,640 over the 15 year term of the lease.

Community Credit Union of Cumberland Colchester Limited

Notes to the Financial Statements

For the year ended December 31, 2024

12. Income tax

Income tax expense recognized in profit

The provision for income taxes differs from the result which would be obtained by applying the combined Canadian federal and provincial statutory income tax rates to income before income taxes. This difference results from the following:

	2024	2023
Income before income taxes	1,286,504	1,527,903
Combined Canada basic federal and provincial income tax rate	29.0 %	29.0 %
Expected income tax	373,086	443,092
Effect on income tax of:		
Non-taxable dividends	(23,343)	(23,327)
Permanent differences and other	6,761	(33,541)
Rate reduction for small business income	(60,868)	(87,500)
Total income tax expense	295,636	298,724

Deferred tax expense recognized in profit

The components of deferred tax balances are as follows:

	2024	2023
Deferred tax assets (liabilities)		
Members' loans, principally due to allowance for financial reporting purposes	98,647	107,184
Property and equipment, difference in net book value and undepreciated cost	55,323	126,361
Investments and deposits, difference in cost basis of Atlantic Central shares	(74,530)	(74,530)
Intangible assets, difference in net book value and undepreciated cost	38,578	40,609
Lease obligations, difference in net book value and undepreciated cost	7,358	18,553
Deferred tax asset	125,376	218,177

13. Supplemental cash flow information

Interest and income taxes paid:

	2024	2023
Interest paid on member deposits	2,686,791	1,782,043
Income taxes paid	532,410	290,931
Interest received on investments	892,888	1,188,190
Interest received on loans to members	8,102,323	6,824,030

Community Credit Union of Cumberland Colchester Limited

Notes to the Financial Statements

For the year ended December 31, 2024

14. Members' shares

Members are required to hold a minimum of one share. The par value of the share is \$25 (2023 - \$25). Members are entitled to redeem their shares if they end their membership and, accordingly, members' shares are presented as a liability. The total number of shares issued at year end is 7,387 (2023 - 7,025).

15. Surplus shares

Surplus shares have no par value and may be redeemed, subject to compliance with the Credit Union Act and approval of the Board of Directors, if the member is no longer eligible for or withdraws from membership, or if the member is deceased.

Issued:

	2024	2023
1,010,812 Surplus shares (2023 - 1,060,585)	1,010,812	1,060,585

During the year, the Credit Union issued 1,048 (2023 - nil) surplus shares and redeemed 50,821 (2023 - 29,172) surplus shares.

16. Commitments

The following amounts represent the maximum amount of additional credit that the Credit Union could be obligated to extend. These amounts are not necessarily indicative of the credit risk as many of these arrangements may expire or terminate without being utilized. The Credit Union as of December 31, 2024 had undrawn lines of credit and overdrafts of \$14,136,524 (2023 - \$13,204,055), commitments to extend credit of \$2,553,269 (2023 - \$2,713,452) and letters of credit \$197,400 (2023 - \$197,400).

17. Bank indebtedness

The Credit Union has an authorized line of credit from Atlantic Central with a limit of \$6,890,000 (2023 - \$4,369,000) bearing interest at 5.45% (2023 - 7.20%). The line of credit is secured by an assignment of book debts and is to be reviewed on an annual basis. Drawings on the line of credit are netted against cash resources. At December 31, 2024, the line of credit balance was nil (2023 - \$1,373,466).

18. Capital requirements

The Credit Union's objectives when managing capital are designed to establish a strong base for future growth, to pay dividends on the equity shares and to provide a cushion in the event of market instability. Capital is managed in accordance with policies established by the Board of Directors and regulators. The Credit Union has a capital plan to provide long-term forecasts of capital requirements. All of the elements of capital are monitored throughout the year and modifications of capital management strategies are made as appropriate.

In accordance with the Credit Union Act, the Credit Union shall establish and maintain equity at a level equal to 5% of its assets. At December 31, 2024, members' equity was 5.00% (2023 - 4.65%) of its assets. For the purposes of this requirement, members' equity consists of members' shares, surplus shares and retained earnings.

As of 2023, the Credit Union was not in compliance with these capital requirements. As a result, the Credit Union was asked to submit an equity building plan to the Superintendent. The Credit Union is required to report its results of its achievement of the capital building plan to the regulator on a regular basis.

Community Credit Union of Cumberland Colchester Limited

Notes to the Financial Statements

For the year ended December 31, 2024

19. Other income

	2024	2023
Account and transaction fees	718,172	684,986
Commissions	160,188	177,103
Other	515,069	391,760
Gain on disposal of property and equipment	63,774	-
	1,457,203	1,253,849

20. Related party transactions

Key management compensation of the Credit Union

Key management of the Credit Union includes the President & CEO, Controller, Commercial Account Manager, Risk & Compliance Manager, Branch Managers and members of the Board of Directors. Key management personnel (KMP) remuneration is as follows:

	2024	2023
Salaries and other short-term employee benefits	853,205	755,380

Transactions with key management personnel

	2024	2023
The total value of the loans outstanding from KMP as at the year end:		
Mortgages	2,523,958	2,428,950
Loans and lines of credit	433,143	463,877
Revolving credit	215,003	220,619
Less: Approved and undrawn lines of credit	(125,410)	(151,194)
	3,046,694	2,962,252

	2024	2023
Interest and other revenue earned on loans and revolving credit facilities to KMP	156,518	118,611

	2024	2023
The total value of members' deposits from KMP as at the year-end:		
Chequing, savings and demand deposits	747,544	1,304,171
Registered plans	349,700	298,427
Total value of members' deposits due to KMP	1,097,244	1,602,598

Deposit accounts are maintained under the same terms and conditions as accounts of other members, and are included in deposit accounts on the balance sheet.

Loans made to key management personnel were made in the normal course of operations with interest rates at regular rates offered to all members of the Credit Union. Interest rates on deposits and dividends on shares were at identical rates offered to all members of the Credit Union.

Community Credit Union of Cumberland Colchester Limited

Notes to the Financial Statements

For the year ended December 31, 2024

Directors' fees and expenses

	2024	2023
Directors fees and committee remuneration	45,227	43,166
Directors expenses	5,520	2,520

21. Financial instruments

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

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

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

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

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

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

Credit risk

Credit risk is the risk of financial loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations to the Credit Union. Credit risk primarily arises from members' loans and the Credit Union's lending activities.

Risk management process

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

- Loan security (collateral) requirements
- Security valuation processes, including method used to determine the value of real property and personal property when that property is subject to a mortgage or other charge
- Maximum loan to value ratios where a mortgage or other charge on real or personal property is taken as security
- Borrowing member capacity (repayment ability) requirements

Community Credit Union of Cumberland Colchester Limited

Notes to the Financial Statements

For the year ended December 31, 2024

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

- Borrowing member character requirements
- Limits on aggregate credit exposure per individual
- Limits on concentration of credit risk by loan type, industry and economic sector
- Limits on the types of credit facilities and services offered
- Internal loan approval processes and loan documentation standards
- Loan re-negotiation, extension and renewal processes
- Processes that identify adverse situations and trends, including risks associated with economic, geographic and industry sectors
- Control and monitoring processes including portfolio risk identification and delinquency tolerances
- Timely loan analysis processes to identify, access and manage delinquent and impaired loans
- Collection processes that include action plans for deteriorating loans
- Overdraft control and administration processes
- Loan syndication processes

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

Providing credit facilities to qualified members' is one of the Credit Union's primary sources of income and is the area where the Credit Union is exposed to the most significant risk. Approval of these facilities is based on the members' ability to repay principal and interest over the term of the facility which is determined by following Board approved policies and procedures, which includes assessing the members' credit history, character, collateral and debt servicing capacity.

In addition, the Credit Union provides to its employees comprehensive training to ensure compliance with its lending policies and procedures. In addition, formal policies governing approval of credit facilities including acceptable risk assessment and security requirements are in place.

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

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

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

Inputs, assumptions and techniques

Definition of default and assessments of credit risk

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

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

Community Credit Union of Cumberland Colchester Limited

Notes to the Financial Statements

For the year ended December 31, 2024

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

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

The Credit Union uses the expected loss model to record an allowance against members' loans. The allowance is broken into three stages. Stage 1 contains all loans that are not delinquent and do not have any known additional risk. Stage 2 contains all loans delinquent between 31 and 90 days, and any loan that has been assessed to have additional risk.

The Credit Union identifies credit-impaired financial assets through regular reviews of past due balances and credit assessments of its members. Credit-impaired financial assets are typically placed on the Credit Union's watch list based on its credit risk policies. Stage 3 contains all loans delinquent over 90 days, bankruptcy, consumer proposals, credit counselling, debt consolidations and accounts that are in serious default with little chance of recovery.

Each stage is broken down into pools of members' loans that have similar risk characteristics. The probability of default, risk adjustment and loss given default are used to determine the expected credit loss for each pool of members' loans.

Measurement of expected credit losses

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

When measuring 12-month and lifetime expected credit losses, the Credit Union utilizes complex modelling, which uses current banking system loan data to assess probability of default, exposure of default, loss given default and present value calculations. Forward-looking information is incorporated into the determination of expected credit loss by considering regional economic journals and forecasts, collecting information available from regular commercial dealings with its members' and other publicly available information and considering the effect such information could have on any assumptions or inputs used in the measurement of expected credit losses, determining significant increases in credit risk or identifying a credit-impaired financial asset.

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

The Credit Union has taken into consideration the macroeconomic impacts of the Bank of Canada interest rate increases on its collective allowance.

Write-offs

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

Exposure to credit risk

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

Except as noted below, the gross carrying amount of financial assets and exposure amount of loan commitments and financial guarantee contracts represents the maximum exposure to credit risk for that class of financial asset.

Community Credit Union of Cumberland Colchester Limited

Notes to the Financial Statements

For the year ended December 31, 2024

21. Financial instruments (Continued from previous page)

	Stage 1 12-month ECL	2024 Stage 2 Lifetime ECL (not credit impaired)	Stage 3 Lifetime ECL (credit impaired)	Total
Residential mortgages				
Low risk	99,834,146	1,790,692	-	101,624,838
High risk	-	-	298,395	298,395
Total gross carrying amount	99,834,146	1,790,692	298,395	101,923,233
Less: loss allowance	26,668	8,859	11,010	46,537
Total carrying amount	99,807,478	1,781,833	287,385	101,876,696
Personal loans				
Low risk	16,729,563	64,381	-	16,793,944
High risk	-	-	330,834	330,834
Total gross carrying amount	16,729,563	64,381	330,834	17,124,778
Less: loss allowance	26,059	1,744	159,361	187,164
Total carrying amount	16,703,504	62,637	171,473	16,937,614
Commercial loans, mortgages and syndications				
Low risk	33,945,778	20,244	-	33,966,022
High risk	-	-	1,351,784	1,351,784
Total gross carrying amount	33,945,778	20,244	1,351,784	35,317,806
Less: loss allowance	77,555	355	80,850	158,760
Total carrying amount	33,868,223	19,889	1,270,934	35,159,046
Lines of credits				
Low risk	9,655,068	500,581	-	10,155,649
High risk	-	-	357,777	357,777
Total gross carrying amount	9,655,068	500,581	357,777	10,513,426
Less: loss allowance	136,963	30,911	59,241	227,115
Total carrying amount	9,518,105	469,670	298,536	10,286,311
Loan commitments				
Low risk	16,887,194	-	-	16,887,194
High risk	-	-	-	-
Total gross carrying amount	16,887,194	-	-	16,887,194
Less: loss allowance	-	-	-	-
Total carrying amount	16,887,194	-	-	16,887,194
Total				
Low risk	177,051,749	2,375,898	-	179,427,647
High risk	-	-	2,338,790	2,338,790
Total gross carrying amount	177,051,749	2,375,898	2,338,790	181,766,437
Less: loss allowance	267,245	41,869	310,462	619,576
Total carrying amount	176,784,504	2,334,029	2,028,328	181,146,861

Community Credit Union of Cumberland Colchester Limited

Notes to the Financial Statements

For the year ended December 31, 2024

21. Financial instruments (Continued from previous page)

		2023		
	Stage 1 12-month ECL	Stage 2 Lifetime ECL (not credit impaired)	Stage 3 Lifetime ECL (credit impaired)	Total
Residential mortgages				
Low risk	94,247,470	1,029,758	-	95,277,228
High risk	-	-	309,143	309,143
Total gross carrying amount	94,247,470	1,029,758	309,143	95,586,371
Less: loss allowance	25,161	35,173	48,543	108,877
Total carrying amount	94,222,309	994,585	260,600	95,477,494
Personal loans				
Low risk	14,195,150	151,275	-	14,346,425
High risk	-	-	272,000	272,000
Total gross carrying amount	14,195,150	151,275	272,000	14,618,425
Less: loss allowance	26,488	934	196,110	223,532
Total carrying amount	14,168,662	150,341	75,890	14,394,893
Commercial loans, mortgages, and syndications				
Low risk	32,539,086	-	-	32,539,086
High risk	-	-	84,493	84,493
Total gross carrying amount	32,539,086	-	84,493	32,623,579
Less: loss allowance	95,490	-	8,185	103,675
Total carrying amount	32,443,596	-	76,308	32,519,904
Lines of Credit				
Low risk	8,900,598	134,769	-	9,035,367
High risk	-	-	331,235	331,235
Total gross carrying amount	8,900,598	134,769	331,235	9,366,602
Less: loss allowance	98,929	56,158	59,829	214,916
Total carrying amount	8,801,669	78,611	271,406	9,151,686
Loan commitments				
Low risk	16,114,907	-	-	16,114,907
High risk	-	-	-	-
Total gross carrying amount	16,114,907	-	-	16,114,907
Less: loss allowance	-	-	-	-
Total carrying amount	16,114,907	-	-	16,114,907
Total				
Low risk	165,997,211	1,315,802	-	167,313,013
High risk	-	-	996,871	996,871
Total gross carrying amount	165,997,211	1,315,802	996,871	168,309,884
Less: loss allowance	246,068	92,265	312,667	651,000
Total carrying amount	165,751,143	1,223,537	684,204	167,658,884

Community Credit Union of Cumberland Colchester Limited

Notes to the Financial Statements

For the year ended December 31, 2024

21. Financial instruments (Continued from previous page)

Concentrations of credit risk

Concentration of credit risk exists if a number of borrowers are exposed to similar economic risks by being engaged in similar economic activities or being located in the same geographical region, and indicate the relative sensitivity of the Credit Union's performance to developments affecting a particular segment of borrowers or geographical region. Geographical risk exists for the Credit Union due to its primary service area being Truro, Amherst and surrounding areas in Nova Scotia.

Amounts arising from expected credit losses

Reconciliation of the loss allowance

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

	Stage 1 12-month ECL	Stage 2 Lifetime ECL (not credit impaired)	Stage 3 Lifetime ECL (credit impaired)	Total
Members' loans				
Balance at January 1, 2023	191,607	54,380	229,594	475,581
Transfer to lifetime ECL (credit impaired)	-	(40,169)	40,169	-
Provision for loan losses	51,108	78,054	231,434	360,596
Accounts written off, net of recoveries	3,353	-	(188,530)	(185,177)
Balance at December 31, 2023	246,068	92,265	312,667	651,000
Balance at January 1, 2024	246,068	92,265	312,667	651,000
Transfer to lifetime ECL (credit impaired)	17,886	(50,396)	32,510	-
Provision for loan losses	-	-	80,000	80,000
Accounts written off, net of recoveries	3,292	-	(114,715)	(111,423)
Balance at December 31, 2024	267,245	41,869	310,462	619,576

Market risk

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

Market risk arises from changes in interest rates that affect the Credit Union's net interest income. Exposure to this risk directly impacts the Credit Union's income from its loan and deposit portfolios. The Credit Union's objective is to earn an acceptable net return on these portfolios, without taking unreasonable risk, while meeting member needs.

Risk measurement

The Credit Union's risk position is measured and monitored each month to ensure compliance with policy. Management provides monthly reports on these matters to the Credit Union's Board of Directors.

Objectives, policies and processes

Management is responsible for managing the Credit Union's interest rate risk, monitoring approved limits and compliance with policies. The Credit Union manages market risk by developing and implementing asset and liability management policies, which are approved and periodically reviewed by the Board.

The Credit Union's goal is to achieve adequate levels of profitability, liquidity and safety. The Board of Directors reviews the Credit Union's investment and asset liability management policies periodically to ensure they remain relevant and effective in managing and controlling risk.

Community Credit Union of Cumberland Colchester Limited

Notes to the Financial Statements

For the year ended December 31, 2024

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

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of the Credit Union's financial instruments will fluctuate due to changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in prevailing market interest rates. Interest margins reported in the profit or loss may increase or decrease in response to changes in market interest rates.

In managing interest rate risk, the Credit Union relies primarily upon use of asset - liability and interest rate sensitivity simulation models, which are monitored by management and reported to the Board of Directors which is responsible for managing interest rate risk.

Sensitivity analysis is used to assess the change in value of the Credit Union's financial instruments against a range of incremental basis point changes in interest rates over a twelve month period. Interest rate shock analysis is calculated in a similar manner to sensitivity analysis but involves a more significant change of 100 basis points or greater in interest rates. Sensitivity analysis and interest rate shock analysis are calculated on a monthly basis and are reported to the Board of Directors. Based on current differences between financial assets and financial liabilities as at year-end, the Credit Union's risk related to a 1% decrease in rates was 3 basis points of assets or approximately \$65,000 decrease in income before income taxes.

Other types of interest rate risk are the risk of loss arising from changes in the relationship of interest rates which have similar but not identical characteristics; for example, the difference between prime rates and the Canadian Deposit Offering Rate and prepayment risk (the risk of loss of interest income arising from the early repayment of fixed rate mortgages and loans), both of which are monitored on a regular basis and are reported to the Board of Directors.

The Credit Union's major source of income is financial margin which is the difference between interest earned on investments and loans to members and interest paid to members on their deposits. The objective of managing the financial margin is to match re-pricing or maturity dates of loans and investments and members' savings and deposits within policy limits. These limits are intended to limit the Credit Union's exposure to changing interest rates and to wide fluctuations of income during periods of changing interest rates. The differential represents the net mismatch between loans and investments and members' savings and deposits for those particular maturity dates. Certain items on the statement of financial position, such as non-interest bearing member deposits and equity do not provide interest rate exposure to the Credit Union. These items are reported as non-interest rate sensitive in the table below.

Amounts with variable interest rates, or due on demand, are classified as variable.

A significant amount of members' loans receivable and members' savings and deposits can be settled before maturity on payment of a penalty. No adjustment has been made for repayments that may occur prior to maturity.

Community Credit Union of Cumberland Colchester Limited

Notes to the Financial Statements

For the year ended December 31, 2024

21. Financial instruments (Continued from previous page)

Contractual repricing and maturity

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

					2024	2023
					Net Asset Liability Mismatch (000's)	Net Asset Liability Mismatch (000's)
('000s)	Assets	Average yield %	Liabilities	Average costs %		
Within 1 year	62,211	4.33 %	(133,259)	2.03 %	(71,048)	(58,590)
1 to 2 years	32,319	4.29 %	(12,068)	3.11 %	20,251	15,766
2 to 3 years	27,840	5.01 %	(2,529)	2.62 %	25,311	28,796
3 to 4 years	18,952	5.77 %	(579)	3.35 %	18,373	19,870
4 to 5 years	28,775	5.74 %	(1,327)	3.06 %	27,448	17,780
Over 5 years	845	5.78 %	-	- %	845	356
Non-interest sensitive	16,905	- %	(37,937)	- %	(21,032)	(20,789)
	187,847		(187,699)		148	3,189

Foreign currency risk

The Credit Union's foreign exchange risk is related to US dollars deposits and cash on hand denominated in US dollars. At year end, the Credit Union's holdings in foreign currency were 0.05% (2023 – 0.06%) of the total members' deposits portfolio.

The Credit Union limits its exposure to foreign exchange risk by maintaining only minimal levels of US dollars deposits and cash on hand.

There have been no significant changes from the previous year in the exposure to foreign exchange risk or procedures used to limit the risk.

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. 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. To mitigate this risk, Atlantic Central requires the Credit Union to maintain, at all times, liquidity that is adequate in relation to the business carried on. The level of liquidity is based on a prescribed percentage of total deposit liabilities. At December 31, 2024 the prescribed liquidity requirement was 9% (2023 - 9%) and the actual liquidity was 10.28% (2023 -15.90%).

The Credit Union manages its liquidity position from three perspectives:

- Structural liquidity risk, which addresses the risk due to mismatches in effective maturities between assets and liabilities, more specifically the risk of over reliance on short-term liabilities to fund long-term illiquid assets;
- Tactical liquidity risk, which addresses the day-to-day funding requirements that are managed by imposing prudent limits on net fund outflows;
- Contingent liquidity risk, which assess the impact of sudden stressful events and the Credit Union's responses thereto.

The primary liquidity risk policies and procedures include the following:

- Liquidity risk management framework to measure and control liquidity risk exposure;
- Measurement of cash flows;
- Maintain a line of credit and borrowing facility with Atlantic Central
- Maintenance of a pool of high quality liquid assets;
- Monitoring of single deposits and sources of deposits;

Community Credit Union of Cumberland Colchester Limited

Notes to the Financial Statements

For the year ended December 31, 2024

21. Financial instruments (Continued from previous page)

- Monitoring of term deposits.

The Board of Directors receives quarterly liquidity reports as well as information regarding cash balances in order for it to monitor the Credit Union's liquidity framework. The Credit Union was in compliance with liquidity requirements throughout the year and at year-end.

As at December 31, 2024:

	2024	2023
Required liquidity	(16,861,761)	(16,362,334)
Liquid assets	18,204,704	28,902,148
Excess liquidity	1,342,943	12,539,814

Liquid assets comprise:

	2024	2023
Cash held at Atlantic Central and on hand	1,319,997	(386,015)
Liquidity and short-term deposits held at Atlantic Central	16,884,707	29,288,163
	18,204,704	28,902,148

The Credit Union manages liquidity risk on a net asset and liability basis. The following table details contractual maturities of financial liabilities:

As at December 31, 2024

	< 1 year	1-3 years	> 3 years	Total
Member deposits	170,849,885	14,597,690	1,905,319	187,352,894
Payables and accruals	346,270	-	-	346,270
Lease liabilities	69,086	109,600	39,600	218,286
Total	171,265,241	14,707,290	1,944,919	187,917,450

As at December 31, 2023

	< 1 year	1-3 years	> 3 years	Total
Member deposits	157,975,790	18,843,493	4,984,430	181,803,713
Payables and accruals	1,152,546	-	-	1,152,546
Lease liabilities	104,786	123,886	94,400	323,072
Total	159,233,122	18,967,379	5,078,830	183,279,331

Community Credit Union of Cumberland Colchester Limited

Notes to the Financial Statements

For the year ended December 31, 2024

22. Fair value measurements

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

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

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

The Credit Union considers a fair value measurement to have transferred between the levels in the fair value hierarchy on the date of the event or change in circumstances that caused the transfer.

In determining fair value measurements, the Credit Union uses valuation techniques including net present value techniques and inputs consisting of actual balances, actual results, market values (for similar instruments) and pay frequency. These calculations represent management's best estimates based on a range of methods and assumptions; since they involve uncertainties, the fair values may not be realized in an actual sale or immediate settlement of the instruments. Interest rate changes are the main cause of changes in the value for the Credit Union's cash resources, demand deposits, certain other assets and certain other liabilities, due to their short-term nature.

Financial instruments measured at fair value

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

	<i>Fair Value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>2024 Level 3</i>
Financial assets				
Cash	1,319,997	1,319,997	-	-
Investments - shares	2,885,443	-	-	2,885,443
Total financial assets	4,205,440	1,319,997	-	2,885,443
	<i>Fair Value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>2023 Level 3</i>
Financial assets				
Cash	978,749	978,749	-	-
Investments - shares	3,186,916	-	-	3,186,916
Total financial assets	4,165,665	978,749	-	3,186,916
Financial liabilities				
Bank indebtedness	1,364,764	1,364,764	-	-
Total financial liabilities	1,364,764	1,364,764	-	-

For fair value measurements of Level 2 investments at fair value through profit and loss, the Credit Union has assumed the fair value of the amounts is comparable to their amortized cost, which equals the par value of the shares. The shares are not quoted or traded, however when new shares are offered the price remains the same as the par value of all currently available shares. There was no impact of the measurement on profit or loss for the year. There have been no transfers between Level 1, 2 and 3 during the year.

Community Credit Union of Cumberland Colchester Limited

Notes to the Financial Statements

For the year ended December 31, 2024

22. Fair value measurements (Continued from previous page)

Financial instruments not measured at fair value

The carrying amount, fair value, and categorization into the fair value hierarchy of all other financial assets and financial liabilities held by the Credit Union and not measured at fair value on the statement of financial position are as follows:

				2024	
	Carrying amount	Fair Value	Level 1	Level 2	Level 3
Financial assets measured at amortized cost					
Cash management and liquidity deposits	16,884,707	16,884,707	-	16,884,707	-
Investments	2,080,759	2,075,865	-	1,080,760	995,105
Members' loans	164,675,681	156,786,287	-	156,786,287	-
Total financial assets	183,641,147	175,746,859	-	174,751,754	995,105
Financial liabilities measured at amortized cost					
Payables and accruals	346,270	346,270	-	346,270	-
Members' deposits and accrued interest	187,352,894	187,047,669	-	187,047,669	-
Total financial liabilities	187,699,164	187,393,939	-	187,393,939	-
				2023	
	Carrying amount	Fair Value	Level 1	Level 2	Level 3
Financial assets measured at amortized cost					
Cash management and liquidity deposits	24,288,163	24,288,163	-	24,288,163	-
Short-term deposits	5,000,000	5,000,000	-	5,000,000	-
Investments	2,036,249	2,028,249	-	1,036,249	992,000
Members' loans	151,860,513	144,761,342	-	144,761,342	-
Total financial assets	183,184,925	176,077,754	-	175,085,754	992,000
Financial liabilities measured at amortized cost					
Payables and accruals	1,152,546	1,152,546	-	1,152,546	-
Members' deposits and accrued interest	181,803,713	181,288,860	-	181,288,860	-
Total financial liabilities	182,956,259	182,441,406	-	182,441,406	-

Community Credit Union of Cumberland Colchester Limited

Notes to the Financial Statements

For the year ended December 31, 2024

23. Events after the reporting period

Subsequent to the reporting date, the Credit Union entered into an agreement with Victory Credit Union Limited and New Ross Credit Union Limited providing the amalgamation of the three Credit Unions. An electronic vote was held between June 3, 2024 and June 14, 2024 where the members of Community Credit Union Limited, Victory Credit Union Limited and New Ross Credit Union Limited voted to approve the amalgamation of the three Credit Unions under the new entity Mosaik Credit Union Limited. The amalgamation was completed subsequent to the reporting date and became effective January 1, 2025.

Community Credit Union of Cumberland Colchester Limited

Schedule 1 - Schedule of Administrative Expenses

For the year ended December 31, 2024

	2024	2023
Administrative expenses		
Advertising	160,741	153,615
Bank fees	695,586	508,249
Board and committee costs	51,573	55,754
Computer costs	531,362	435,550
Courier and postage	7,326	7,578
Credit Union Central	179,298	169,003
Office	414,449	353,652
Other	49,013	34,671
Professional fees	119,814	98,005
Staff training	42,662	32,534
	2,251,824	1,848,611

Schedule 2 - Schedule of Occupancy Expenses

For the year ended December 31, 2024

	2024	2023
Occupancy		
Insurance	39,976	27,075
Utilities	60,074	68,364
Rent	31,273	16,016
Property taxes	91,239	92,587
Repairs and maintenance	138,118	124,315
	360,680	328,357

Certificate Of Completion

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Status: Completed

Subject: Complete with Docusign: Community Credit Union of Colchester Limited Dec 24 - Approved Financia...

Members Account Number (8 digits when possible): Not Applicable

Members Name:

Source Envelope:

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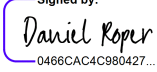
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csanford@mosaikcu.ca

Signer Events

Daniel Roper
droper@mosaikcu.ca
Security Level: Email, Account Authentication (None)

Signature

Signed by:

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Signature Adoption: Pre-selected Style
Using IP Address: 24.215.120.218

Timestamp

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Electronic Record and Signature Disclosure:

Accepted: 4/30/2025 2:22:19 PM
ID: 65c0050d-5758-47ca-8923-f49fb62450ff
Company Name: Mosaik Credit Union

Nick Parker
nickparker@mosaikcu.ca
Security Level: Email, Account Authentication (None)

Signed by:

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Signature Adoption: Pre-selected Style
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Electronic Record and Signature Disclosure:

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Company Name: Mosaik Credit Union

In Person Signer Events

Signature

Timestamp

Editor Delivery Events

Status

Timestamp

Agent Delivery Events

Status

Timestamp

Intermediary Delivery Events

Status

Timestamp

Certified Delivery Events

Status

Timestamp

Carbon Copy Events

Status

Timestamp

Witness Events

Signature

Timestamp

Notary Events

Signature

Timestamp

Envelope Summary Events

Status

Timestamps

Envelope Summary Events	Status	Timestamps
Envelope Sent	Hashed/Encrypted	4/30/2025 2:21:47 PM
Certified Delivered	Security Checked	4/30/2025 3:29:38 PM
Signing Complete	Security Checked	4/30/2025 3:30:00 PM
Completed	Security Checked	4/30/2025 3:30:00 PM
Payment Events	Status	Timestamps
Electronic Record and Signature Disclosure		

ELECTRONIC RECORD AND SIGNATURE DISCLOSURE

From time to time, Mosaik Credit Union (we, us or Company) may be required by law to provide to you certain written notices or disclosures. Described below are the terms and conditions for providing to you such notices and disclosures electronically through the DocuSign system. Please read the information below carefully and thoroughly, and if you can access this information electronically to your satisfaction and agree to this Electronic Record and Signature Disclosure (ERSD), please confirm your agreement by selecting the check-box next to 'I agree to use electronic records and signatures' before clicking 'CONTINUE' within the DocuSign system.

Getting paper copies

At any time, you may request from us a paper copy of any record provided or made available electronically to you by us. You will have the ability to download and print documents we send to you through the DocuSign system during and immediately after the signing session and, if you elect to create a DocuSign account, you may access the documents for a limited period of time (usually 30 days) after such documents are first sent to you. After such time, if you wish for us to send you paper copies of any such documents from our office to you, you will be charged a \$0.00 per-page fee. You may request delivery of such paper copies from us by following the procedure described below.

Withdrawing your consent

If you decide to receive notices and disclosures from us electronically, you may at any time change your mind and tell us that thereafter you want to receive required notices and disclosures only in paper format. How you must inform us of your decision to receive future notices and disclosure in paper format and withdraw your consent to receive notices and disclosures electronically is described below.

Consequences of changing your mind

If you elect to receive required notices and disclosures only in paper format, it will slow the speed at which we can complete certain steps in transactions with you and delivering services to you because we will need first to send the required notices or disclosures to you in paper format, and then wait until we receive back from you your acknowledgment of your receipt of such paper notices or disclosures. Further, you will no longer be able to use the DocuSign system to receive required notices and consents electronically from us or to sign electronically documents from us.

All notices and disclosures will be sent to you electronically

Unless you tell us otherwise in accordance with the procedures described herein, we will provide electronically to you through the DocuSign system all required notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to you during the course of our relationship with you. To reduce the chance of you inadvertently not receiving any notice or disclosure, we prefer to provide all of the required notices and disclosures to you by the same method and to the same address that you have given us. Thus, you can receive all the disclosures and notices electronically or in paper format through the paper mail delivery system. If you do not agree with this process, please let us know as described below. Please also see the paragraph immediately above that describes the consequences of your electing not to receive delivery of the notices and disclosures electronically from us.

How to contact Mosaik Credit Union:

You may contact us to let us know of your changes as to how we may contact you electronically, to request paper copies of certain information from us, and to withdraw your prior consent to receive notices and disclosures electronically as follows:

To advise Mosaik Credit Union of your new email address

To let us know of a change in your email address where we should send notices and disclosures electronically to you, you must send an email message to us at info@mosaikcu.com and in the body of such request you must state: your previous email address, your new email address. Please contact us using the contact us on our web site.

If you created a DocuSign account, you may update it with your new email address through your account preferences.

To request paper copies from Mosaik Credit Union

To request delivery from us of paper copies of the notices and disclosures previously provided by us to you electronically, you must send us an email to and in the body of such request you must state your email address, full name, mailing address, and telephone number.

To withdraw your consent with Mosaik Credit Union

To inform us that you no longer wish to receive future notices and disclosures in electronic format you may:

- i. decline to sign a document from within your signing session, and on the subsequent page, select the check-box indicating you wish to withdraw your consent, or you may;
- ii. send us an email to and in the body of such request you must state your email, full name, mailing address, and telephone number. We do not need any other information from you to withdraw consent.. The consequences of your withdrawing consent for online documents will be that transactions may take a longer time to process..

Required hardware and software

The minimum system requirements for using the DocuSign system may change over time. The current system requirements are found here: <https://support.docusign.com/guides/signer-guide-signing-system-requirements>.

Acknowledging your access and consent to receive and sign documents electronically

To confirm to us that you can access this information electronically, which will be similar to other electronic notices and disclosures that we will provide to you, please confirm that you have read this ERSD, and (i) that you are able to print on paper or electronically save this ERSD for your future reference and access; or (ii) that you are able to email this ERSD to an email address where you will be able to print on paper or save it for your future reference and access. Further, if you consent to receiving notices and disclosures exclusively in electronic format as described herein, then select the check-box next to 'I agree to use electronic records and signatures' before clicking 'CONTINUE' within the DocuSign system.

By selecting the check-box next to 'I agree to use electronic records and signatures', you confirm that:

- You can access and read this Electronic Record and Signature Disclosure; and
- You can print on paper this Electronic Record and Signature Disclosure, or save or send this Electronic Record and Disclosure to a location where you can print it, for future reference and access; and
- Until or unless you notify Mosaik Credit Union as described above, you consent to receive exclusively through electronic means all notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to you by Mosaik Credit Union during the course of your relationship with Mosaik Credit Union.