2023 ANNUAL REPORT

VALLEY CREDIT UNION LTD.

CREDIT UNIONS BELIEVE IN PEOPLE OVER PROFITS

valleycreditunion.com

CORE VALUES

At Valley Credit Union, our commitment to you goes beyond banking. We're dedicated to being truly member-centric, ensuring that every decision is made with your best interests in mind. Our members are our shareholders, meaning your success is our priority. With local governance, personalized service, and a strong focus on community support, we're here to empower you on your financial journey, every step of the way. We are building a brighter future for our community, one member at a time.

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2023 VALLEY CREDIT UNION

SERVICE AWARDS

As we commemorate meeting milestones, it's time to applaud our incredible staff whose dedication and hard work fuel our success.

10 YEARS

Alissa Baker

15 YEARS

Kristi Hewitt

20 YEARS

Bev Misner
Glenn Jordan

HIGHLIGHTS:

MEMBER DIRECT USAGE:

Interac Flash:	1,129,490
E-Transfers:	382,213

+42%

102,771 - Mobile Wallet

APPROVED CREDIT:

Residential Mortgages

$110,623,785 +9%

Commercial Mortgages:	$4,040,555
Personal Loans:	$13,165,256
Personal LOC:	$15,228,463
Commercial Loans/LOC:	$98,052,028

AGENDA

1. Call to Order
2. Motion to Approve Minutes
3. Introduction to the Board of Directors
4. Report on Registration
5. Adoption of Minutes
6. Business Arising from Minutes
7. Message from the Chair of the Board of Directors
8. Message from the President and CEO
9. Credit Committee Report
10. CSER Committee Report
11. Audit Committee Report
12. Review of Financial Statements
13. Appointment of Auditors
14. Nomination Committee Report
15. New Business
16. Adjournment

2023 ANNUAL GENERAL MEETING MINUTES

Valley Credit Union, Annual General Meeting
Berwick Lions Hall, Berwick, NS
April 27, 2023

Call to Order
The Annual General Meeting of the membership of Valley Credit Union Limited was held at the Berwick Lions Hall in Berwick, NS on Thursday, April 27, 2023. The meeting was called to order by the Chair of the Board, Andrea Martin at 5:30 p.m.

The National Anthem was played. A moment of silence was observed to remember deceased Credit Union members and friends.

The Chair, Andrea Martin, welcomed everyone to the first in person only meeting in three years.

Motion to Approve the Agenda
Moved by Wayne Fowler, seconded by James Bell, THAT the Agenda for Valley Credit Union's Annual General Meeting held on April 27, 2023, be approved. **Motion Carried.**

Introduction of the Board of Directors
The Chair of the Board, Andrea Martin, introduced the Board of Directors to the Membership.

Report on Registration
There were 46 members registered and 3 guests reported. Twenty-five members are required to establish a quorum, therefore Andrea Martin, Chair of the Board, declared a quorum present.

The Chair, Andrea Martin, introduced the three guests: Jen Murray from Atlantic Central, Colin Lewis from Concentra, and Kim Williams from CUMIS. Mike Hurley, CEO CUDIC, sent his regrets.

Adoption of Minutes - April 28, 2022
Moved by Christy Bishop, seconded by Tyson Slauenwhite, THAT the minutes of the 2022 Annual General Meeting held on April 28, 2022, be accepted as included in the AGM meeting package. **Motion carried.**

Business Arising from the Minutes
NIL

Chair, Andrea Martin, turned the meeting over to the Vice-Chair, Rick Graham. Rick Graham introduced Andrea Martin, Chair of the Board.

Message from the Chair of the Board of Directors

Andrea Martin, Chair of the Board, gave her report to the membership which was included in the Annual Report for 2022.

The Chair welcomed everyone to the AGM.

The Chair highlighted the major activities the Board performed during the 2022 year.

- Acknowledged the years of commitment from the previous Board Chair, Martin Gillis. Martin was Chair of the Board for over 14 years and she thanked him for his guidance and knowledge.
- Acknowledged CEO, Leigh Doucette's first full year with VCU and thanked him for all his assistance during this time.
- The new Flower Cart facility was finally breaking ground, after delays because of COVID. The VCU Board has committed $250,000 towards the well-deserved project.
- The Middleton branch moved to a new location. A large and bright space for staff and members to enjoy.

The Chair thanked the staff for their continued dedication and the membership for their continued support, all of which helps make Valley Credit Union a success.

Moved by Jennifer DeAdder, seconded by Christy Bishop, THAT the Chair's report be approved as presented for Valley Credit Union's Annual General Meeting. **Motion Carried.**

The Vice-Chair, Rick Graham, turned the meeting back over to the Chair, Andrea Martin.

Message from the President & CEO

Andrea Martin introduced Leigh Doucette, President & CEO.

The President & CEO reported on some of the highlights of 2022. His full report is in the Annual Report for 2022

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- The CEO commented on the lingering impacts COVID has had on the World's workforce. VCU continues to modernize and find new and creative solutions to attract and retain staff.
- Sped up by COVID, VCU began investing heavily in upgrading and investing in our IT infrastructure. This is to help our members access services and solutions electronically.
- Important to the IT infrastructure is the continued upgrading of our Cyber Security. In 2022 we introduced the 2-step verification for our online banking and mobile systems.
- VCU was excited to finally open a new Middleton branch. The CEO thanked the staff and members for their patience and support during the transition to the new large and bright space.
- Another year where staff were very involved in organizing, raising funds, or donating to various organizations and events. VCU has a strong belief that we need to do more in our community than simply just give money.

- The Leadership Team and the Board of Directors updated the Strategic Plan. The most paramount focus is for us to all be better at what we do in order to better serve our members.

The CEO thanked the Board and staff for their dedication and devotion to the membership. He thanked the Members for being loyal and patient during these challenging times.

Moved by Jenna States, seconded by James Bell, THAT the President & CEO report be approved, as presented, for Valley Credit Union's Annual General Meeting. **Motion Carried.**

Credit Committee Report

Rick Graham gave the Credit Committee report as included in the AGM package.

Highlights:
Loan portfolio growth was approximately $29 million or 14.4%. Loan loss provisions amounted to 0.04% of the total portfolio. Delinquency levels ended at 0.40% for the fiscal year end.

Moved by Wayne Fowler, seconded by Reginald Rose, THAT the Credit Committee report be approved, as presented, for Valley Credit Union's Annual General Meeting. **Motion Carried.**

CSER Committee Report

Wayne Fowler gave the CSER Committee report as included in the AGM package.

Highlights:
Wayne acknowledged that the CSER Committee was the best committee to be a part of as the Committee is able to give supportive funds out. The asks have grown and the full $12,000 budget was allocated to very deserving groups in 2022. The full list of 16 groups is included in the AGM package.

Moved by Brian Sturney, seconded by Jennifer DeAdder, THAT the CSER Committee report be approved, as presented, for Valley Credit Union's Annual General Meeting. **Motion Carried.**

Audit Committee Report

Martin Gillis gave the Audit Committee report as included in the AGM package.

Highlights:
The Committee met three times in 2022. PricewaterhouseCoopers LLP ("PwC") was invited to the meeting in March 2023 to review their annual audit. It was a clean audit and Valley Credit Union is in a good position.

Moved by Rick Graham, seconded by Reginald Rose, THAT the Audit Committee report be approved, as presented, for Valley Credit Union's Annual General Meeting. **Motion Carried.**

Review of Financial Statements

Ian Wilkie, Vice President Finance, gave a brief overview of the Consolidated Financial Statements for Valley Credit Union for the year ended December 31, 2022.

Moved by James Bell, seconded by Wayne Fowler, to approve the Consolidated Financial Statements for the year ended December 31, 2022, as included in the Annual Meeting package, and as presented. **Motion carried.**

Appointment of Auditors

Martin Gillis, Chair of the Audit Committee, recommended PricewaterhouseCoopers LLP to be the Auditors for the year ended December 31, 2023.

Moved by Wayne Fowler, seconded by Jen DeAdder, that the firm PricewaterhouseCoopers LLP be appointed as the auditing firm, for Valley Credit Union, for the 2023 year. **Motion carried.**

Nomination Committee

Martin Gillis, of the Nomination Committee, gave the report.

Three Directors' terms were up for renewal: Andrea Martin, Brian Sturney, and Reginald Rose. All are reoffering. There is one new nomination: Mike Bishop.

The Bylaws state the Board can consist of up to 12 members and the nominations bring the Board to 10, so there is no need for a vote and all nominees are in by acclamation.

Moved by Jenna States, seconded by Christy Bishop, to accept the Nomination Committee report, as presented, for Valley Credit Union's Annual General Meeting. **Motion carried.**

New Business

NIL

Adjournment

Moved by Jen DeAdder, seconded by Sam Parker, that the April 27, 2023, Annual General Meeting be adjourned at 6:05pm. **Motion carried.**

2023 VALLEY CREDIT UNION

BOARD OF DIRECTORS

Our Board of Directors are members, just like you!


Andrea Martin
Chair, 10/10


Richard F. Graham
Vice Chair, 10/10


Reginald Rose
Secretary, 9/10


Martin Gillis
Past Chair, 8/10


Carol Tobin
Board Member, 10/10


Brian Sturney
Board Member, 10/10


Wayne Fowler
Board Member, 8/10


James Bell
Board Member, 9/10


Nancy Roscoe-Huntley
Board Member, 9/10


Mike Bishop
Board Member, 6/6

ANDREA MARTIN

CHAIR'S REPORT

We are committed to community.

Andrea Martin
Chair

On behalf of the Board of Directors, I would like to start by thanking Valley Credit Union's management and staff for all their hard work in 2023. This hard work and dedication are evident in our growth. Our assets are now over $300 million, which is a growth of $100 million of assets in just 4 years! This is a milestone of which we should be proud and the Board would like to recognize this achievement.

Our staff's commitment to our community is demonstrated in the considerable amount of time and effort spent volunteering. No matter what is happening in our area, we can be sure to see representatives of Valley Credit Union in attendance with their smiling faces. The Board would like to acknowledge this volunteer time and let you know it is appreciated. As mentioned last year, Valley Credit Union had made a large donation in the past to The Flower Cart's new building in New Minas. We were very happy to see the completion of their project in the fall and many directors and staff were able to tour their beautiful new facility. We also continue to support the Credit Union Centre in Kingston as well as other local organizations. In cooperation with 14 other Nova Scotia Credit Unions, we were proud to make a donation to VON Nova Scotia's digital health transformation project. These are just some of the examples of our commitment to our communities.

In November, we held a public information session in Bridgetown in response to the announcement of the closure of another financial institution in that community. The presentation was well received by those in attendance and has resulted in increased membership. I would like to thank our CEO Leigh and his team for leading the presentation at this meeting and letting citizens of the community know that a Credit Union can meet their financial needs. I would also like to thank Leigh and his team for always keeping the Board informed and assisting us in our duties.

During 2023 the board had 10 regular meetings, 4 Executive meetings as well as numerous meetings of the various Board Committees. Our directors are committed to the Credit Union system and the cooperative movement. We have had directors attend Atlantic Central meetings, plus the combined World and Canadian conferences in July. We have a director that sits on the Board of Atlantic Central as well as the Board of League Savings and Mortgage, plus I personally am a member of the Regional Credit Union Chairs' Association. We promote cooperation amongst the other Credit Unions in the region and encourage management to do the same. All directors are continually maintaining their training so that they are able to be effective directors for your Credit Union. Being a director is a large commitment, but personally very rewarding.

I would like to thank each of the directors for their dedication in 2023. I have appreciated the occasionally spirited discussions and support for decisions made. When deciding our goals, we keep our members' needs in the forefront of our thoughts. We would like to thank all of our members for their continued support and also thank new members for choosing Valley Credit Union. **Without you our Credit Union would not be as successful – you are the reason we exist.**

LEIGH P DOUCETTE, PRESIDENT & CEO

CEO REPORT

We're back in the community in a very big way.

Leigh P Doucette
President & CEO

2023 was another strong year for Valley Credit Union. We achieved a milestone of $300 MM in assets. This occurred in a difficult economy where inflation remained stubbornly high and had a negative effect on affordability across the board, from food to housing. Property values, and demand for those, also remained high. But we continued to grow our book. We remain the 4th largest credit union in Nova Scotia, and we have almost moved into 3rd place. We can be very proud of that, and it's thanks to all of you.

I believe our biggest success in 2023 was the continued stabilization of our workforce. When COVID occurred it really impacted the workforce in the world and, in the Valley, we weren't exempt from that. Over the last several years we had made changes to our business in some ways due to the inability at times to hire workers. But 2023 really changed that. We have finally gotten back to having full-time lenders across our branch network. We have also hired strong individuals into key roles at the senior manager and executive level as well as other integral roles, and customer facing roles in our branches. We are very happy with the quality of our additions to the team in 2023 to join what was already a very strong workforce, and we're really looking forward to 2024. Thanks to our HR team and leaders for all their work on this.

We're back in the community in a very big way. You are probably seeing us everywhere. We had a very successful year in 2023 in our communities whether it was in-person, or through financial support. Our earliest event was in mid-January and our last event was in mid-December, so we're busy all year throughout the Valley. To name a few of the events and entities that we support or partner with: the Flower Cart, the Valley Regional Hospital Foundation, VON, Valley Exhibition, the Credit Union Rec Complex, and the Credit Union Centre. We also presented several financial wellness events in 2023. You probably even saw us at several parades last year throughout the Valley. I'm so proud to see everyone at these great partnerships. Thanks to staff, the Kindness Crew and the CSER Committee, for your hard work. Please refer to our CSER and Community Support reports for more information.

We have a key message to deliver. It comes from a situation in the Western part of the Annapolis Valley where banks continue to close their branch network. By the fall of 2024 we will be the only financial institution left in 4 of our 7 branch markets. As the banks continue to close branches, the ability to do banking is becoming more difficult for people in the Valley – our friends, our family, our neighbours. So, we did 2 very specific things in 2023 in this regard to help in our markets. In February 2023 we moved our Middleton branch to a new location. It's a fantastic new branch and speaks well to our commitment to the Western part of the Valley. Also, in mid-November of 2023 we reached out proactively to our Western communities. We spoke with Government, business, not-for-profits, and people. Then we held a community forum. At that forum we listened to what the community had to say. Then we announced that we would be re-opening (on a full-time basis) our 2 most western branches, in Middleton and in Bridgetown, starting in February 2024. So, our key message is this: The banks have left. They aren't coming back. But we're still here. We continue to show our loyalty to the Annapolis Valley. The banks are counting on you to do nothing about them leaving. It's time to show them that you care. And you're going to be hearing a lot more of this type of messaging from us.

Because of our focus, loyalty, and dedication to the Valley, starting in November 2023 we began seeing positive membership growth in our business at a time when the national and regional trends are negative. And this is very good news for us.

We are continuing to work on our strategic plan, which currently runs from 2023 to the end of 2025. In a nutshell it's about us being better at what we do to be able to better serve all of you. It's about having the right people in the right roles and having good conversations and providing proactive solutions and truly giving value to members. We are making very good strides and we will continue to evolve and search for ways to serve our communities and make everyone proud to work and deal with us.

System conversion is coming in 2024. Although there have been some delays in this massive project across the system in Atlantic Canada, our local impact has been small. At Valley Credit Union this means instead of preparation and conversion taking place between the late fall of 2023 and early Spring of 2024, it's now taking place between now and the Fall of 2024. We are currently working on data-readiness, training, and communication, amongst other things. And you will be hearing more from us on this.

Thanks to our members for their continued loyalty to Valley Credit Union. Thanks to the Board for their support of our work, and our team. I especially want to extend a huge thanks to all of our fantastic staff for persevering in a tough economy, and showing the entire Valley who THE financial institution of choice is.

Best regards,
Leigh P Doucette, President & CEO

2023 ASSETS UNDER MANAGEMENT

$301,337,806 +7%

2022	$280,109,831
2021	$260,410,443
2020	$232,571,751
2019	$199,525,526
2018	$176,898,469
2017	$171,591,058
2016	$154,151,945
2015	$152,503,506
2014	$141,389,505

RICHARD F. GRAHAM

CREDIT COMMITTEE REPORT

As a standing committee of your Board of Directors, the Credit Committee's mandate is as stipulated in the Credit Union Act; that being to "ensure the compilation, clarity and accuracy of the data required by the Act, while recommending policies and procedures for approving and granting credit at the Valley Credit Union".

For fiscal 2023, your Credit Committee, consisting of Rick Graham (Chair), Brian Sturney, Reg Rose, and Jim Bell and assisted by Glenn Jordan (Manager of Credit Risk), met six (6) times; where loan activity was examined, reviewed and compared to budgets and targets, while ensuring the ratio of personal, mortgage and business lending in the credit portfolio is maintained within the concentration ranges as approved by your Board. In addition, our regular reviews included examination of delinquency causes and remedial actions undertaken so to:

- Identify trends that may be reflective of the economic uncertainties, and
- Ensure Members are assisted in managing their obligations,
- While concurrently ensuring that our efforts are demonstrated to be timely and diligent, so to protect your Credit Union's assets.

We are pleased to report the following:

- While we did experience increased loan activity during the year, net growth was unfavorably impacted by repayments of several significant loan syndications;
- The impact of increasing interest rates on our overall financial situation has thus far been positive. However, it does require enhanced monitoring so to attend to any mismatching situations that may arise across the portfolio;
- Loan loss provisions in 2022 amounted to 0.07% of the total portfolio and 107% of the approved budget for the year;
- Delinquency levels remained at 0.24% on average for the year and 0.31% as at fiscal year end;
- Our liquidity position remains strong and as such, we have ample capacity to continue with our growth strategy and meet our Members' needs.

In all and as evidenced by the above, our lending portfolio remains of very good quality. All staff are to be congratulated on our lending and loan management successes in 2023; through continuous focus on our Members and appropriate levels of Risk Management, with continued investment in staff skill development through 2024.

On behalf of the Credit Committee

Rick Graham
Chair, Credit Committee

WAYNE FOWLER

CSER COMMITTEE REPORT

The Corporate Social and Environmental Responsibility ("CSER") Committee comprises representatives from both the Board of Directors and Valley Credit Union staff. This collaborative approach ensures a diverse range of perspectives, expertise, and insight into the unique needs of the communities within our service area.

Executive Summary:
The Valley Credit Union ("VCU") CSER Committee is pleased to present the Annual Report for the year 2023. The CSER Committee focused on remaining steadfast in its commitment to supporting community development, education, sports and health and wellness initiatives.

The CSER Committee acknowledges the dedication and efforts of its members who adapted to virtual meetings, ensuring that the annual mandate set by the VCU Board of Directors was fulfilled. The Committee continued to prioritize the long-term well-being of VCU Members and the communities it serves.

Committee Composition:
The CSER Committee comprises representatives from both the Board of Directors and VCU staff. This collaborative approach ensures a diverse range of perspectives, expertise, and insight into the unique needs of the communities within our service area.

Focus Areas for 2023:
In alignment with its mandate, the CSER Committee focused on three key support criteria:

EDUCATION: Sponsoring events and activities that support youth and life-long education.

SPORTS: Supporting community strength and healthy living through sports-related initiatives.

HEALTH AND WELLNESS: Supporting organizations and events that benefit the community's health and wellness.

The CSER Committee allocated financial support to various community-minded organizations, contributing a total of $24,000 in 2023.

The funds were distributed to the following organizations:

1. Canning Library - $1,000
2. Kingston Farmers Market - $1,000
3. Northville Heritage Centre - $1,000
4. Raising HEC- Highbury Education Centre - $1,500
5. Western Kings Community Fair - $250
6. Village of Canning Refugee Support - $1,000
7. MICCL - $1,000
8. Middleton Daycare - $1,500
9. Arlington Forest Protection Society - $500
10. Kings Historical Society - $600
11. Sunken Lake Scouts Camp - $1,000
12. Kings County - Michelle Obama Bus - $1,000
13. Kingston Lion's Club - $600
14. Red Spruce Mental Health Centre - $2,500
15. AVRCE School Board Meals Campaign - $1,500
16. Valley Jets - $1,000
17. Western Valley Minor Hockey Association - $1,000
18. Three Rivers Community Centre - $1,000
19. Town of Kentville (Rec Team) - $1,500
20. Stockings Were Hung - $1,000
21. Valley and District Soccer Association - $550
22. Arlington Forest Protection Society and SOOF STOCK Festival - $1,000
23. Coldest Night of the Year - $1,000

OUR IMPACT

$24K

23 LOCAL ORGANIZATIONS SUPPORTED

Conclusion:

The Valley Credit Union CSER Committee is proud to have contributed to the well-being and development of our communities in 2023. The financial support provided to various organizations reflects our commitment to making a positive impact on education, sports, and health and wellness within our service area.

We express our gratitude to the VCU Board of Directors, the CSER Committee members, and the supported organizations for their collaboration and dedication. Looking ahead, we remain committed to building stronger, healthier, and more resilient communities.

We remain committed to supporting community development, education, sports and health and wellness initiatives.

Wayne Fowler
Chair, CSER Committee

MARTIN GILLIS

AUDIT COMMITTEE REPORT

The Audit Committee is pleased to report to the members of Valley Credit Union that your credit union continues to meet the requirements within the policies established by the Board of Directors and is well positioned for 2024.

The 2023 Audit Committee consisted of Nancy Roscoe-Huntley, Wayne Fowler, Mike Bishop and the Chair, Martin Gillis. We were supported in our duties by Ian Wilkie. The Committee met four (4) times in 2023 and also in March 2024 with MNP to review the 2023 audit. All meetings were held virtually.

In October the Committee met to review the letter of resignation from PricewaterhouseCoopers ("PwC") and consider a proposal from MNP LLP ("MNP"). The Committee's recommendation to the board was to accept the MNP proposal for the 2023 audit. The Board accepted the recommendation.

The Committee has the responsibility to review the financial position of the Credit Union. The Committee met twice with MNP to review the audit plan and to receive the results of the yearly audit including any recommendations which the auditor may make.

The Committee also reviews the results of internal audits, both operational and Anti-Money Laundering and any recommendations made to address deficiencies. The Committee also reviews any CUDIC audits and addresses any issues arising from these audits.

We have adopted a mandate which covers all the duties specified to be performed by the Audit Committee in the Credit Union Act, 1994.

I would like to thank Ian Wilkie and his staff for their support over the past year.

The Audit Committee is pleased to report to the members of Valley Credit Union that your Credit Union continues to meet the requirements within the policies established by the Board of Directors and is well positioned for 2024.

Click to View Financial Package

Martin Gillis
Chair, Audit Committee

KINDNESS CREW

COMMUNITY SUPPORT REPORT

Our committee, comprising representatives from all branches, is dedicated to supporting the community year-round.

We're deeply rooted in our communities, making decisions that directly benefit our members and our community. Our profits stay local, supporting businesses and initiatives, while our staff actively participate in events, fundraising and volunteering. We're committed to empowering youth through free financial literacy and wellness programs in local high-schools. **We are dedicated to Doing Some Good, follow us as we share our impact and community story.**

EOTO Each One. Teach One.

DO SOME good

OUR IMPACT

$100K

SUPPORTING ANNAPOLIS VALLEY FROM HANTSPORT TO BRIDGETOWN

Our Impact


CREDIT UNION
VALLEY
valleycreditunion.com
People over profits.
kidney walk
THE SALVATION ARMY
Special Olympics
Nova Scotia
Cheerios
rewind 89.3
Make-A-Wish
TICKET GIVEAWAY!

Phone
902-538-4510
or 1-866-990-4044

Email
vcu.admin@valleycreditunion.com

Website
valleycreditunion.com

7 Branches from Hantsport to Bridgetown
Find a Branch / ATM

CREDIT UNION VALLEY

Valley Credit Union Limited
Consolidated Financial Statements
December 31, 2023

Contents

For the year ended December 31, 2023

Independent Auditor's Report

To the Members of Valley Credit Union Limited:

Opinion

We have audited the consolidated financial statements of Valley Credit Union Limited and its subsidiary (the "Credit Union"), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statements of income and comprehensive income, changes in equity, cash flows and the related schedules for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Credit Union as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Credit Union in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in 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.

Other Matter

The consolidated financial statements for the year ended December 31, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on March 30, 2023.

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

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

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

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

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

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

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

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

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.

MNP LLP
Chartered Professional Accountants

Mount Pearl, Newfoundland and Labrador
March 26, 2024

Consolidated Statement of Financial Position

As at December 31, 2023

	2023	2022
Assets		
Cash and cash equivalents *(Note 5)*	**41,986,676**	36,638,682
Investments and deposits *(Note 6)*	**12,134,581**	6,860,451
Loans to members *(Note 7)*	**241,688,020**	233,062,662
Income taxes recoverable	**274,575**	-
Property and equipment *(Note 8)*	**3,728,268**	2,952,874
Other assets *(Note 9)*	**1,525,686**	595,162
Total assets	**301,337,806**	280,109,831
Liabilities		
Member deposits *(Note 10)*	**276,032,376**	257,844,985
Trade payables and accrued liabilities	**1,783,030**	1,482,346
Lease liabilities *(Note 12)*	**1,059,994**	233,134
Income taxes payable	**-**	425,363
Deferred tax liabilities *(Note 11)*	**65,985**	45,759
Total liabilities	**278,941,385**	260,031,587

Commitments *(Note 7), (Note 9)*

Members' Equity		
Member shares *(Note 13)*	**43,605**	43,670
Restricted surplus *(Note 15)*	**390,271**	390,271
Retained earnings	**21,962,545**	19,644,303
Total members' equity	**22,396,421**	20,078,244
	301,337,806	280,109,831

Approved on behalf of the Board

Director **Director**

Valley Credit Union Limited
Consolidated Statement of Income and Comprehensive Income
For the year ended December 31, 2023

	2023	*2022*
Income		
Interest on loans	**11,814,704**	9,301,968
Dividend income	**674,000**	380,348
Interest income	**963,701**	443,141
	13,452,405	10,125,457
Interest expense		
Interest on members' deposits	**4,425,987**	1,452,972
Financial margin	**9,026,418**	8,672,485
Other revenue	**2,523,371**	2,491,078
	11,549,789	11,163,563
Operating Expenses		
Personnel	**4,196,349**	3,610,578
General business *(Schedule 1)*	**2,917,985**	2,655,248
Occupancy *(Schedule 3)*	**723,993**	669,079
Member security *(Schedule 2)*	**357,760**	333,438
Provision for doubtful loans	**179,521**	86,764
	8,375,608	7,355,107
Income before income taxes	**3,174,181**	3,808,456
Provision for income taxes *(Note 11)*		
Current	**835,713**	984,839
Deferred	**20,226**	(34,971)
	855,939	949,868
Net income and comprehensive income for the year	**2,318,242**	2,858,588

Consolidated Statement of Changes in Equity

For the year ended December 31, 2023

	Member shares	Restricted surplus	Retained earnings	Total equity
Balance December 31, 2021	**42,779**	**390,271**	**16,785,715**	**17,218,765**
Net comprehensive income	**-**	**-**	**2,858,588**	**2,858,588**
Issuance of members' shares, net of redemption	**891**	**-**	**-**	**891**
Balance December 31, 2022	**43,670**	**390,271**	**19,644,303**	**20,078,244**
Net comprehensive income	**-**	**-**	**2,318,242**	**2,318,242**
Issuance of members' shares, net of redemption	**(65)**	**-**	**-**	**(65)**
Balance December 31, 2023	**43,605**	**390,271**	**21,962,545**	**22,396,421**

	2023	*2022*
Cash provided by (used for) the following activities		
Operating activities		
Net income and comprehensive income	**2,318,242**	2,858,588
Depreciation	**362,092**	365,543
Loan write offs, net of recoveries	**(97,954)**	(44,971)
Deferred taxes	**20,226**	(34,971)
Loss on sale of assets	**-**	1,005
	2,602,606	3,145,194
Changes in working capital accounts		
Loans to members	**(8,527,404)**	(29,520,119)
Other assets	**(930,524)**	(335,368)
Member deposits	**18,187,391**	16,610,845
Income taxes payable	**(425,363)**	216,200
Income taxes receivable	**(274,575)**	-
Trade payables and accrued liabilities	**300,684**	(27,411)
	10,932,815	(9,910,659)
Financing activities		
Payments made on leases	**(48,798)**	(30,399)
(Decrease) increase in member shares, net	**(65)**	891
	(48,863)	(29,508)
Investing activities		
(Increase) decrease in investments and deposits	**(5,274,130)**	1,710,889
Additions of property, building and equipment, net of right-of-use assets	**(261,828)**	(68,380)
	(5,535,958)	1,642,509
Increase (decrease) in cash and cash equivalents	**5,347,994**	(8,297,658)
Cash and cash equivalents, beginning of year	**36,638,682**	44,936,340
Cash and cash equivalents, end of year	**41,986,676**	36,638,682

Supplementary cash flow information *(Note 14)*

1. Reporting entity

Valley Credit Union Limited (the “Credit Union”) was formed pursuant to the Credit Union Act of Nova Scotia (“the Act”).

The Credit Union serves members in Waterville, Nova Scotia and the surrounding communities and operates 7 Credit Union branches. The address of the Credit Union’s registered office is 5682 Nova Scotia Trunk 1, Waterville, Nova Scotia.

The Credit Union operates as one segment principally in personal and commercial banking in Waterville, Nova Scotia.

The Credit Union conducts its principal operations through various 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) and interpretations adopted by the International Accounting Standards Board (“IASB”).

These consolidated financial statements for the year ended December 31, 2023 were approved by the Board of Directors on March 26, 2024.

2. Change in accounting policies

Standards and Interpretations effective in the current period

The Credit Union adopted amendments to the following standards, effective January 1, 2023. Adoption of these amendments resulted in the Credit Union disclosing material accounting policy information instead of significant accounting policy information.

- IFRS 10 *Consolidated Financial Statements*
- IAS 1 *Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments*
- IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*
- IAS 12 *Income Taxes*

3. Basis of preparation

Basis of measurement

The consolidated financial statements have been prepared using the historical basis except for the revaluation of certain financial instruments.

Functional and presentation currency

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

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

Significant accounting judgments, estimates and assumptions

The preparation of the Credit Union's consolidated 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.

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

There is inherent uncertainty in estimating the impacts of an uncertain macroeconomic environment such as rising interest rates, inflation and supply chain disruptions 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 consolidated 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.

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:

- Declining revenues, working capital deficiencies, increases in balance sheet leverage and liquidity
- The correlation between credit risk on all lending facilities of the same borrower

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

4. Summary of material accounting policies

The principal accounting policies adopted in the preparation of the consolidated 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 consolidated 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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Credit Union and its subsidiary.

The subsidiary is an entity controlled by the Credit Union. Control is achieved where the Credit Union is exposed, or has rights, to variable returns from its involvement with the investee and it has the ability to affect those returns through its power over the investee. In assessing control, only rights which give the Credit Union the current ability to direct the relevant activities and that the Credit Union has the practical ability to exercise, is considered.

Intercompany transactions and balances have been eliminated from the consolidated accounts.

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.

Debt instruments 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 cash and cash equivalents, debentures, deposits, and member loans.
- 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 measured at fair value through profit or loss are comprised of share investments.

Refer to Note 18 for more information about financial instruments held by the Credit Union, their measurement basis, and their carrying amount.

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.

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

Financial instruments *(Continued from previous page)*

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 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.

For member 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. 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, 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 consolidated 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 18 for additional information about the Credit Union’s credit risk management process, credit risk exposure and the amounts arising from expected credit losses.

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

Financial instruments *(Continued from previous page)*

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.

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.

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

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

Financial instruments *(Continued from previous page)*

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.

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 to 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 other comprehensive income.

Debentures

Investments in debentures are measured at amortized cost.

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

Loans to members

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

Property, building and equipment

Property, building 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, building and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

All assets having limited useful lives are depreciated 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 methods of depreciation and depreciation rates applicable for each class of asset during the current and comparative period are as follows:

	Method	***Rate***
Buildings	declining balance	5 %
Furniture and equipment	declining balance	20 %
Vault, security equipment and paving	declining balance	10 %
Leasehold improvements	straight-line	lease term
Computer equipment, banking machine and cash dispensing unit	straight-line	3 and 5 years

Right-of-use assets comprise the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date less any lease incentives received and any initial direct costs. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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, building 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 operating income or other operating costs, respectively.

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 customer 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.

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.

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

Leases *(Continued from previous page)*

After the commencement date, the Credit Union measures right-of-use assets related to property, building 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, building 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 of 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.

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.

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 of disposal 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.

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

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.

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

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

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

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

Member shares

Member shares, consisting of equity shares, are presented in the statement of financial position as equity instruments in accordance with the substance of the contractual terms of the instruments. These shares qualify as capital for regulatory purposes. Payments of dividends on membership shares presented as equity are recognized as a distribution directly in equity.

Dividends are recorded when declared by the Board of Directors.

Revenue recognition

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

Service charges, fees, commissions and other revenue

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 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 the 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 is included in the financial instruments section of Note 4.

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.

5. Cash and cash equivalents

	2023	*2022*
Cash on hand	**2,140,643**	2,285,534
Deposits held at Atlantic Central	**1,541,280**	1,610,901
Cash management liquidity	**30,304,753**	23,742,247
Short-term deposits with interest rates of 5.03% and 5.01% (2022 - 4.29% and 4.19%)	**8,000,000**	9,000,000
	41,986,676	36,638,682

The Credit Union has an authorized operating line of credit of $7,007,000 (2022 - $6,516,000) with Atlantic Central at prime rate of 7.2% (2022 - 6.45%), which is secured by an assignment of loans to members. The line of credit was unutilized as of December 31, 2023 and 2022.

6. Investments and deposits

	2023	*2022*
Measured at amortized cost		
Debenture with Concentra with an interest rate of 5.22%	**5,000,000**	-
Measured at fair value through profit or loss		
Atlantic Central - Common	**3,025,420**	2,984,980
Atlantic Central - League Savings and Mortgage	**2,736,388**	2,736,388
Concentra	**500,000**	500,000
League Data Limited	**54,580**	54,580
Other	**310**	310
Total	**6,316,698**	6,276,258
Measured using the equity method		
Investment in Credit Union Financial Management	**520,201**	515,853
Subtotal	**11,836,899**	6,792,111
Accrued interest (Note 20)	**297,682**	68,340
Total	**12,134,581**	6,860,451

7. Loans to members

Principal and allowance by loan type:

	Principal performing	**Principal impaired**	**Allowance specific**	**Allowance for expected credit losses**	**Net carrying value**
					2023
Commercial loans	94,078,989	48,990	29,231	92,073	**94,006,675**
Personal loans	13,186,231	65,462	64,162	22,275	**13,165,256**
Personal lines of credit	15,252,731	13,680	13,680	24,268	**15,228,463**
Commercial lines of credit	3,905,377	188,323	41,552	6,795	**4,045,353**
Residential mortgages	110,426,773	312,616	-	115,604	**110,623,785**
Commercial mortgages	4,044,649	-	-	4,105	**4,040,544**
Accrued interest	577,944	-	-	-	**577,944**
Total	241,472,694	629,071	148,625	265,120	**241,688,020**

	Principal performing	Principal impaired	Allowance specific	Allowance for expected credit losses	Net carrying value
					2022
Commercial loans	93,626,263	8,835	2,208	91,599	93,541,291
Personal loans	14,719,728	14,289	10,549	73,079	14,650,389
Personal lines of credit	15,275,583	26,463	14,638	24,302	15,263,106
Commercial lines of credit	4,010,898	10,519	2,630	11,794	4,006,993
Residential mortgages	100,189,665	284,817	-	101,379	100,373,103
Commercial mortgages	4,742,905	-	-	-	4,742,905
Accrued interest	484,875	-	-	-	484,875
Total	233,049,917	344,923	30,025	302,153	233,062,662

Loan commitments

The Credit Union has authorized lines of credit in the amount of $38,794,350 which are unutilized at December 31, 2023 (2022 - $20,137,496).

Allowance for loan impairment

The allowance for loan impairment changed as follows:

	2023	*2022*
Balance, beginning of year	**332,178**	290,384
Provision for doubtful loans	**179,521**	86,764
Subtotal	**511,699**	377,148
Less: accounts written off, net of recoveries	**97,954**	44,970
Balance, end of year	**413,745**	332,178

8. Property, building and equipment

	Land	*Buildings*	*Furniture and equipment*	*Vault security equipment and paving*	*Leasehold improvements*	*Computer equipment*	*Right-of-use assets*	*Total*
Cost								
Balance January 1, 2022	**841,538**	**2,386,951**	**1,749,008**	**1,110,575**	**706,564**	**1,107,068**	**333,819**	**8,235,523**
Additions	**-**	**14,146**	**15,608**	**6,111**	**-**	**32,515**	**105,645**	**174,025**
Disposals	**-**	**-**	**(6,074)**	**-**	**-**	**-**	**-**	**(6,074)**
Balance at December 31, 2022	**841,538**	**2,401,097**	**1,758,542**	**1,116,686**	**706,564**	**1,139,583**	**439,464**	**8,403,474**
Balance at January 1, 2023	**841,538**	**2,401,097**	**1,758,542**	**1,116,686**	**706,564**	**1,139,583**	**439,464**	**8,403,474**
Additions	**-**	**19,521**	**50,874**	**89,878**	**37,477**	**64,078**	**875,658**	**1,137,486**
Balance at December 31, 2023	**841,538**	**2,420,618**	**1,809,416**	**1,206,564**	**744,041**	**1,203,661**	**1,315,122**	**9,540,960**
Accumulated depreciation								
Balance January 1, 2022	**-**	**1,185,813**	**1,409,303**	**741,772**	**516,565**	**1,040,005**	**196,668**	**5,090,126**
Depreciation	**-**	**59,952**	**68,461**	**108,508**	**45,711**	**49,923**	**32,988**	**365,543**
Disposals	**-**	**-**	**(5,069)**	**-**	**-**	**-**	**-**	**(5,069)**
Balance at December 31, 2022	**-**	**1,245,765**	**1,472,695**	**850,280**	**562,276**	**1,089,928**	**229,656**	**5,450,600**
Balance at January 1, 2023	**-**	**1,245,765**	**1,472,695**	**850,280**	**562,276**	**1,089,928**	**229,656**	**5,450,600**
Depreciation	**-**	**63,510**	**63,615**	**59,589**	**45,723**	**42,249**	**87,406**	**362,092**
Balance at December 31, 2023	**-**	**1,309,275**	**1,536,310**	**909,869**	**607,999**	**1,132,177**	**317,062**	**5,812,692**
Net book value								
At December 31, 2022	841,538	1,155,332	285,847	266,406	144,288	49,655	209,808	2,952,874
At December 31, 2023	**841,538**	**1,111,343**	**273,106**	**296,695**	**136,042**	**71,484**	**998,060**	**3,728,268**

9. Other assets

	2023	*2022*
Prepaids expenses and other	**1,525,686**	595,162
	1,525,686	595,162

The Credit Union has committed its share of costs to the system conversion project to replace the existing core banking platform. The Credit Union has paid $1,205,243 (2022 - $344,355) of its total commitment of $1,824,745. This commitment is based on the Credit Union's percentage of assets in the system. The remaining amount is expected to be paid during 2024.

10. Member deposits

	2023	*2022*
Chequing	**115,461,652**	116,614,221
Savings	**65,411,173**	72,226,641
Tax free savings	**31,138,191**	24,823,772
Registered savings and retirement plans	**14,265,605**	12,805,832
Term deposits	**47,972,090**	30,836,787
Accrued deposit interest	**1,783,665**	537,732
	276,032,376	257,844,985

Member deposits are subject to the following terms:

- Members' deposits are insured by the Nova Scotia Credit Union Deposit Insurance Corporation subject to CUDIC's maximum coverage.

Term deposits are subject to the following terms:

- Term deposits for periods of one to five years generally may not be withdrawn, prior to maturity, without penalty. Term deposits for periods less than one year may be withdrawn after 30 days, subject to an interest reduction.

Registered savings and retirement plans are subject to the following terms:

- Concentra Bank is a trustee for the registered retirement savings plans offered to members. Under an agreement with Concentra Bank, members' contributions to these plans, as well as income earned on them, are deposited in the Credit Union. On withdrawal, payment of the plan proceeds is made to the members, or the parties designated by them, by the Credit Union, on behalf of Concentra Bank.

11. Income tax

Income tax expense recognized in comprehensive income

The applicable tax rate is the aggregate of the federal income tax rate of 29% (2022 - 29%).

Deferred income tax recovery (expense) recognized in comprehensive income

The deferred income tax recovery (expense) recognized in comprehensive income for the current year is a result of the following changes:

	2023	*2022*
Deferred tax liability		
Atlantic Central shares	**(119,770)**	(119,770)
Investment in CU Financial Management Ltd.	**(144,978)**	(143,916)
	(264,748)	(263,686)
Deferred tax asset		
Loans to members, principally due to allowance for financial reporting purposes	**80,870**	96,332
Property and equipment	**104,730**	95,368
Other	**-**	26,227
Losses available for offset against future earnings	**2,437**	-
Deferred tax assets of subsidiary	**10,726**	-
	198,763	217,927
Net deferred tax liability	**(65,985)**	(45,759)
Net deferred tax liability is reflected in the statement of financial position as follows		
Deferred tax asset	**10,726**	34,971
Deferred tax liabilities	**(76,711)**	(80,730)
	(65,985)	(45,759)

Reconciliation between income tax expense and pre-tax net profit

	2023	*2022*
Income before income taxes	**3,174,181**	3,808,456
Income tax expense calculated at 29.00%	**920,512**	1,104,452
Tax effect resulting from application of rate reduction for small business income	**(67,363)**	(87,500)
Permanent differences and other	**41,918**	(7,966)
Non-taxable dividends	**(39,128)**	(59,118)
Income tax expense reported in comprehensive income	**855,939**	949,868

12. Leases

Right-of-use assets

Right-of-use assets of the Credit Union have been presented within property, plant and equipment in the statement of financial position. Refer to Note 8 for information pertaining to right-of-use assets arising from lease arrangements in which the entity is a lessee.

Lease liabilities

The following table sets out a maturity analysis of lease liabilities:

	2023	*2022*
Maturity analysis – contractual undiscounted cash flows		
Less than one year	**120,360**	39,317
1 to 3 years	**249,080**	79,638
More than 3 years	**1,220,874**	151,874
Total undiscounted lease liabilities at December 31, 2023	**1,590,314**	270,829

Amounts recognized in comprehensive income

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

	2023	*2022*
Interest expense on lease liabilities	**79,892**	9,279
Deprecation on right-of-use assets	**87,406**	32,988

13. Member shares

Member shares have no entitlement to interest or dividends. Dividends may be paid at the discretion of the Board of Directors. Member shares are not insured by the Nova Scotia Credit Union Deposit Insurance Corporation.

Authorized:
Unlimited number of Member shares, at an issue price of $5.

	2023	*2022*
Member shares issued and classified as equity		
Member shares, beginning of year	**8,734**	8,591
Issued (redeemed) during the year	**(13)**	143
Total	**8,721**	8,734

14. Supplemental cash flow information

	2023	2022
Interest on member deposits	**3,109,578**	1,152,213
Income taxes	**(684,925)**	(545,151)
Dividends and interest on investments	**1,407,499**	766,702
Interest on loans to members	**11,721,635**	9,131,753

15. Capital management

The Credit Union's objective when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for its members and benefits for other stakeholders.

The Credit Union manages its capital through a set of formalized management policies and through corporate governance at the level of the Board of Directors and related committees.

The Credit Union is required to maintain a prescribed capital base, consisting of membership shares and retained earnings, of 5% of total assets. At year end, the Credit Union had a capital base equal to 7.46% (2022 - 7.17%).

In 2011, the Credit Union received a non-cash stock dividend from Atlantic Central of $520,000 in the form of 5,200 Class NS shares having a redemption value of $100 per share. This amount was included in income for 2011 with a corresponding current and deferred tax liability of $129,729 resulting in net income of $390,271 from this transaction.

Pursuant to a directive issued by CUDIC, the $390,271 net income and retained earnings resulting from this stock dividend transaction cannot be distributed until such time as total equity of the credit union is equal to or greater than 8% of total assets and retained earnings are equal to or greater than 4% of total assets.

16. Related party transactions

Key management compensation of the Credit Union

Key management of the Credit Union includes the Chief Executive Officer, Vice President - Finance, Vice President - Member Experience, Vice President - Human Resources and members of the Board of Directors. Key management personnel (KMP) remuneration includes the following expenses:

	2023	2022
Salaries and other short-term employee benefits	**575,414**	451,296
Post-employment benefits	**26,880**	21,868
Total remuneration	**602,294**	473,164

16. Related party transactions *(Continued from previous page)*

Transactions with key management personnel

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

	2023	*2022*
During the year the aggregate value of loans disbursed to KMP amounted to:		
Residential mortgages	**830,000**	370,571

	2023	*2022*
The total value of balances of KMP as at the year-end:		
Loans to members	**1,396,824**	597,773
Member deposits	**1,344,055**	667,207
Member shares	**70**	65

Directors, management and staff

Deposit accounts are maintained under the same terms and conditions as accounts of other members, and are included in member deposits on the statement of financial position.

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 are at a rate that is 50 basis points higher than posted rates per the Credit Unions policy.

Directors' fees and expenses

	2023	*2022*
Honorarium	**11,200**	10,200
Directors expenses	**29,179**	20,844

17. Financial instruments

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

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

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

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

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

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 Unions 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
- 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, assess and manage delinquent and impaired loans
- Collection processes that include action plans for deteriorating loans
- Overdraft control and administration processes
- Loan syndication processes.

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

To meet the needs of its members and to manage its own exposure to fluctuations in interest rates, the Credit Union participates in various commitments and contingent liability contracts. The primary purpose of these contracts is to make funds available for the financing needs of 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. Details of loan commitments are outlined in Note 7.

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

Credit Risk *(Continued from previous page)*

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.

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

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

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.

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.

Write-offs

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

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.

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

Credit Risk *(Continued from previous page)*

	12-month ECL	2023 Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Personal loans and lines of credit				
Low-fair risk	28,437,409	-	-	28,437,409
Watch list	-	1,553	-	1,553
Doubtful or impaired	-	-	79,142	79,142
Total gross carrying amount	28,437,409	1,553	79,142	28,518,104
Less: loss allowance	44,990	1,553	77,842	124,385
Total carrying amount	28,392,419	-	1,300	28,393,719
Commerical mortgages				
Low-fair risk	4,044,649	-	-	4,044,649
Watch list	-	-	-	-
Doubtful or impaired	-	-	-	-
Total gross carrying amount	4,044,649	-	-	4,044,649
Less: loss allowance	4,105	-	-	4,105
Total carrying amount	4,040,544	-	-	4,040,544
Residential mortgages				
Low-fair risk	110,426,773	-	-	110,426,773
Watch list	-	-	-	-
Doubtful or impaired	-	-	312,616	312,616
Total gross carrying amount	110,426,773	-	312,616	110,739,389
Less: loss allowance	115,604	-	-	115,604
Total carrying amount	110,311,169	-	312,616	110,623,785
Commercial loans and lines of credit				
Low-fair risk	97,984,366	-	-	97,984,366
Watch list	-	-	-	-
Doubtful or impaired	-	-	237,313	237,313
Total gross carrying amount	97,984,366	-	237,313	98,221,679
Less: loss allowance	98,868	-	70,783	169,651
Total carrying amount	97,885,498	-	166,530	98,052,028
Total				
Low-fair risk	240,893,197	-	-	240,893,197
Watch list	-	1,553	-	1,553
Doubtful or impaired	-	-	629,071	629,071
Total gross carrying amount	240,893,197	1,553	629,071	241,523,821
Less: loss allowance	263,567	1,553	148,625	413,745
Total carrying amount	240,629,630	-	480,446	241,110,076

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

Credit Risk *(Continued from previous page)*

	2022			
	12-month ECL	*Lifetime ECL (not credit impaired)*	*Lifetime ECL (credit impaired)*	*Total*
Personal loans and lines of credit				
Low-fair risk	29,778,200	-	-	29,778,200
Watch list	-	217,111	-	217,111
Doubtful or impaired	-	-	40,752	40,752
Total gross carrying amount	29,778,200	217,111	40,752	30,036,063
Less: loss allowance	47,319	50,062	25,187	122,568
Total carrying amount	29,730,881	167,049	15,565	29,913,495
Commercial mortgages				
Low-fair risk	4,742,905	-	-	4,742,905
Watch list	-	-	-	-
Doubtful or impaired	-	-	-	-
Total gross carrying amount	4,742,905	-	-	4,742,905
Less: loss allowance	-	-	-	-
Total carrying amount	4,742,905	-	-	4,742,905
Residential mortgages				
Low-fair risk	100,189,665	-	-	100,189,665
Watch list	-	-	-	-
Doubtful or impaired	-	-	284,817	284,817
Total gross carrying amount	100,189,665	-	284,817	100,474,482
Less: loss allowance	101,379	-	-	101,379
Total carrying amount	100,088,286	-	284,817	100,373,103
Commercial loans and lines of credit				
Low-fair risk	97,637,161	-	-	97,637,161
Watch list	-	-	-	-
Doubtful or impaired	-	-	19,353	19,353
Total gross carrying amount	97,637,161	-	19,353	97,656,514
Less: loss allowance	103,393	-	4,838	108,231
Total carrying amount	97,533,768	-	14,515	97,548,283
Total				
Low-fair risk	232,347,931	-	-	232,347,931
Watch list	-	217,111	-	217,111
Doubtful or impaired	-	-	344,923	344,923
Total gross carrying amount	232,347,931	217,111	344,923	232,909,965
Less: loss allowance	252,091	50,062	30,025	332,178
Total carrying amount	232,095,840	167,049	314,898	232,577,787

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

Credit Risk *(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 Waterville, Nova Scotia and surrounding areas.

Amounts arising from expected credit losses

Reconciliation of the loss allowance

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

	12-month ECL	*Lifetime ECL (not credit impaired)*	*Lifetime ECL (credit impaired)*	*Total*
Personal				
Balance at January 1, 2022	**136,786**	**3,699**	**66,177**	**206,662**
Transfer to lifetime ECL (credit impaired)	**(7,435)**	**(3,699)**	**11,134**	**-**
Net remeasurement of loss allowance	**19,347**	**2,627**	**(2,315)**	**19,659**
Write-offs	**-**	**-**	**(55,206)**	**(55,206)**
Recoveries of amounts previously written off	**-**	**-**	**10,235**	**10,235**
Balance at December 31, 2022	**148,698**	**2,627**	**30,025**	**181,350**
Balance at January 1, 2023	**148,698**	**2,627**	**30,025**	**181,350**
Transfer to 12-month ECL	**1,497**	**-**	**(1,497)**	**-**
Transfer to lifetime ECL (credit impaired)	**(58,819)**	**-**	**58,819**	**-**
Net remeasurement of loss allowance	**145,077**	**(1,074)**	**6,441**	**150,444**
Write-offs	**(87,294)**	**-**	**(15,946)**	**(103,240)**
Recoveries of amounts previously written off	**11,435**	**-**	**-**	**11,435**
Balance at December 31, 2023	**160,594**	**1,553**	**77,842**	**239,989**
Corporate				
Balance at January 1, 2022	**81,112**	**-**	**2,611**	**83,723**
Transfer to 12-month ECL	**2,611**	**-**	**(2,611)**	**-**
Transfer to lifetime ECL (credit impaired)	**-**	**-**	**-**	**-**
Net remeasurement of loss allowance	**19,670**	**47,435**	**-**	**67,105**
Balance at December 31, 2022	**103,393**	**47,435**	**-**	**150,828**
Balance at January 1, 2023	**103,393**	**47,435**	**-**	**150,828**
Transfer to 12-month ECL	**2,630**	**-**	**(2,630)**	**-**
Transfer to lifetime ECL (credit impaired)	**(22,646)**	**(47,435)**	**70,081**	**-**
Net remeasurement of loss allowance	**23,536**	**-**	**5,541**	**29,077**
Write-offs	**(3,940)**	**-**	**(2,209)**	**(6,149)**
Balance at December 31, 2023	**102,973**	**-**	**70,783**	**173,756**

Financial instruments for which the impairment requirements of IFRS 9 do not apply

The carrying amount of Atlantic Central and League Data Limited shares, as disclosed in Note 6, best represents the Credit Union's maximum exposure to credit risk for those items. The Credit Union holds no collateral or other credit enhancements for these balances.

17. 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 comprehensive income may increase or decrease in response to changes in market interest rates. The Credit Union incurs interest rate risk on its loans and other interest bearing financial instruments.

In managing interest rate risk, the Credit Union relies primarily upon use of asset - liability and interest rate sensitivity simulation models, which is 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 estimates that an immediate and sustained 100 basis point increase in interest rates would increase net after tax interest income by $57,736 over the next 12 months while an immediate and sustained 100 basis point decrease in interest rates would decrease net after tax interest income by $57,736 over the next 12 months.

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 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 repricing 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.

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

Contractual repricing and maturity

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

	Assets	*Average yield %*	Liabilities	*Average costs %*	***2023***	*2022*
0 to 6 months	96,102,224	*6.22 %*	(181,898,706)	*1.97 %*	**(85,796,482)**	(80,367,081)
6 to 12 months	40,845,414	*4.09 %*	(29,637,699)	*4.65 %*	**11,207,715**	16,845,713
1 to 2 years	40,926,667	*4.17 %*	(7,972,532)	*3.81 %*	**32,954,135**	25,110,126
2 to 3 years	53,414,484	*4.06 %*	(1,484,981)	*2.79 %*	**51,929,503**	36,445,153
3 to 4 years	37,139,651	*4.31 %*	(1,998,190)	*3.23 %*	**35,141,461**	42,506,881
4 to 5 years	26,715,060	*5.69 %*	(2,177,282)	*3.78 %*	**24,537,778**	33,486,447
Over 5 years	321,179	*5.78 %*	-	*- %*	**321,179**	444,867
Non-interest sensitive	344,598	*- %*	(53,706,011)	*- %*	**(53,361,413)**	(57,470,776)
	295,809,277		**(278,875,401)**		**16,933,876**	17,001,330

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

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, 2023 the prescribed liquidity requirement was 9% (2022 - 9%) and the actual liquidity was 21.5% (2022 - 15.4%)

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 prudential 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 cashflows;
- 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;
- Monitoring of term deposits.

The following table details contractual maturities of financial liabilities:

As at December 31, 2023:

	< 1 year	1-3 years	> 3 years	Total
Member deposits	**262,399**	**9,458**	**4,175**	**276,032**
Trade payables and accrued liabilities	**1,783**	**-**	**-**	**1,783**
Member shares	**-**	**-**	**44**	**44**
Total	**264,182**	**9,458**	**4,219**	**277,859**

As at December 31, 2022:

	< 1 year	1-3 years	> 3 years	Total
Member deposits	247,266	8,902	1,677	257,845
Trade payables and accrued liabilities	1,482	-	-	1,482
Member shares	-	-	44	44
Total	248,748	8,902	1,721	259,371

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 owner needs.

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

Market risk *(Continued from previous page)*

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. See Note 18 for additional information on the asset liability matching policy.

18. 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 beginning of the reporting period, the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2, as well as no transfers into or out of Level 3 during the period.

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.

Assets and liabilities measured at fair value

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

				2023
	Fair Value	***Level 1***	***Level 2***	***Level 3***
Fair value through profit and loss				
Investments and shares	**6,316,698**	**-**	**-**	**6,316,698**

				2022
	Fair Value	*Level 1*	*Level 2*	*Level 3*
Fair value through profit and loss				
Investments and shares	6,344,598	-	-	6,344,598

18. 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:

					2023
	Carrying amount	***Fair Value***	***Level 1***	***Level 2***	***Level 3***
Financial assets measured at amortized cost					
Cash and cash equivalents	**41,986,676**	**41,986,676**	**41,986,676**	**-**	**-**
Loans to members	**241,688,020**	**232,318,297**	**-**	**232,318,297**	**-**
Investments - debentures	**5,297,761**	**5,301,012**	**-**	**5,301,012**	**-**
	288,972,457	**279,605,985**	**41,986,676**	**237,619,309**	**-**
Financial liabilities measured at amortized cost					
Member deposits	**276,032,376**	**275,221,455**	**-**	**275,221,455**	**-**
Trade payable and accrued liabilities	**1,783,031**	**1,783,031**	**1,783,031**	**-**	**-**
Lease liabilities	**1,059,994**	**1,059,994**	**-**	**1,059,994**	**-**
	278,875,401	**278,064,480**	**1,783,031**	**276,281,449**	**-**

					2022
	Carrying amount	*Fair Value*	*Level 1*	*Level 2*	*Level 3*
Financial assets measured at amortized cost					
Cash and cash equivalents	36,638,682	36,638,682	36,638,682	-	-
Loans to members	233,062,662	231,343,688	-	231,343,688	-
	269,701,344	267,982,370	36,638,682	231,343,688	-
Financial liabilities measured at amortized cost					
Member deposits	257,844,985	259,193,069	-	259,193,069	-
Trade payable and accrued liabilities	1,482,346	1,482,346	1,482,346	-	-
Lease liabilities	233,134	233,134	-	233,134	-
	259,560,465	260,908,549	1,482,346	259,426,203	-

Level 2 and Level 3 fair value measurements for financial instruments not measured at fair value

Valuation techniques and inputs for Level 2 and Level 3 fair value measurements are as follows:

All Level 2 fair value measurements use a net present value valuation technique and inpute consisting of actual balances, actual rates, market rates (for similar instruments) and payment frequency.

19. Other legal and regulatory risk

Legal and regulatory risk is the risk that the Credit Union has not complied with requirements set out in terms of compliance such as standards of sound business practice, anti-money laundering legislation or their code of conduct/conflict of interest requirements. In seeking to manage these risks, the Credit Union has established policies and procedures and monitors to ensure ongoing compliance.

20. Comparative figures

Certain 2022 balances have been reclassified in order to conform with the presentation adopted in the current year. Accrued interest receivable has been reclassified from other assets to investments and deposits in the amount of $68,340.

Valley Credit Union Limited

Schedule 1 - Consolidated Schedule of General Business Expenses

For the year ended December 31, 2023

	2023	2022
General business		
Cash and service charges	**855,319**	757,097
Computer	**520,122**	513,587
Professional fees	**302,058**	269,380
Credit Union Central	**278,794**	214,502
Other	**249,900**	252,008
Office	**180,629**	148,594
Advertising	**143,518**	124,915
Depreciation - equipment and computer	**120,167**	132,622
Membership	**80,155**	54,347
Equipment maintenance and rent	**72,980**	69,821
Board expenses	**40,379**	31,044
Staff travel	**37,065**	33,863
Courier and postage	**28,164**	24,169
Meetings	**8,735**	29,299
	2,917,985	2,655,248

Schedule 2 - Consolidated Schedule of Member's Security Expenses

For the year ended December 31, 2023

	2023	2022
Member security		
CUDIC	**197,898**	189,452
Insurance and other	**159,862**	143,986
	357,760	333,438

Schedule 3 - Consolidated Schedule of Occupancy Expenses

For the year ended December 31, 2023

	2023	2022
Occupancy Expenses		
Depreciation	**241,925**	232,921
Repairs and maintenance	**184,305**	106,275
Utilities	**183,539**	182,196
Property taxes	**78,226**	87,757
Rent	**35,998**	59,930
	723,993	669,079