Sydney Credit Union Limited
Financial Statements
December 31, 2023

Contents

For the year ended December 31, 2023

To the Members of Sydney Credit Union Limited:

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2023, and the results of its operations and its 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 Financial Statements section of our report. We are independent of the Credit Union in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

MNP LLP

Sydney, Nova Scotia
March 26, 2024

Chartered Professional Accountants

Sydney Credit Union Limited
Statement of Financial Position
As at December 31, 2023

	2023	*2022*
Assets		
Cash and cash equivalents *(Note 5)*	**8,505,416**	4,960,903
Investments and deposits *(Note 6)*	**48,411,191**	53,756,351
Loans to members *(Note 7)*	**244,960,700**	235,720,162
Property, building and equipment *(Note 8)*	**3,183,613**	3,198,456
Other assets *(Note 9)*	**1,679,405**	1,011,042
Total assets	**306,740,325**	298,646,914
Liabilities		
Member deposits *(Note 10)*	**277,923,166**	271,476,415
Accrued patronage rebate *(Note 11)*	**306,800**	330,400
Trade payables and accrued liabilities	**1,388,713**	992,219
Income taxes payable	**1,212**	151,409
Deferred tax liability *(Note 12)*	**50,660**	54,600
Total liabilities	**279,670,551**	273,005,043
Members' equity		
Equity shares *(Note 13)*	**84,720**	84,035
Retained earnings	**25,661,509**	24,234,291
Contributed surplus	**1,323,545**	1,323,545
Total Members' equity	**27,069,774**	25,641,871
	306,740,325	298,646,914

Approved on behalf of the Board

Jay Hallahan

Director

Director

The accompanying notes are an integral part of these financial statements

Statement of Comprehensive Income

For the year ended December 31, 2023

	2023	*2022*
Income		
Interest on loans	**10,472,389**	8,770,021
Investment income	**2,241,980**	996,493
	12,714,369	9,766,514
Interest expense		
Interest on members' deposits *(Note 14)*	**3,875,200**	1,786,514
Loan interest and referral fees	**397,319**	319,423
	4,272,519	2,105,937
Gross financial margin	**8,441,850**	7,660,577
Other income	**2,231,575**	2,338,254
	10,673,425	9,998,831
Operating Expenses		
Personnel	**3,910,154**	3,303,550
Member security *(Schedule 1)*	**266,332**	249,777
General business *(Schedule 2)*	**3,370,276**	2,995,741
Occupancy *(Schedule 3)*	**489,723**	424,270
Depreciation	**146,692**	152,150
	8,183,177	7,125,488
Income before undernoted	**2,490,248**	2,873,343
Patronage rebate *(Note 11)*	**306,800**	330,400
Provision for loan losses	**289,172**	222,431
	595,972	552,831
Income before income taxes	**1,894,276**	2,320,512
Provision for (recovery of) income taxes *(Note 12)*		
Current	**470,998**	620,141
Deferred	**(3,940)**	(31,800)
	467,058	588,341
Comprehensive income	**1,427,218**	1,732,171

The accompanying notes are an integral part of these financial statements

	Member shares	Contributed surplus	Retained earnings	Total equity
Balance December 31, 2021	**84,415**	**1,323,545**	**22,502,120**	**23,910,080**
Comprehensive income	**-**	**-**	**1,732,171**	**1,732,171**
Issuance of member shares	**5,660**	**-**	**-**	**5,660**
Redemption of member shares	**(6,040)**	**-**	**-**	**(6,040)**
Balance December 31, 2022	**84,035**	**1,323,545**	**24,234,291**	**25,641,871**
Comprehensive income	**-**	**-**	**1,427,218**	**1,427,218**
Issuance of member shares	**7,355**	**-**	**-**	**7,355**
Redemption of member shares	**(6,670)**	**-**	**-**	**(6,670)**
Balance December 31, 2023	**84,720**	**1,323,545**	**25,661,509**	**27,069,774**

	2023	*2022*
Cash provided by (used for) the following activities		
Operating activities		
Comprehensive income	**1,427,218**	1,732,171
Depreciation	**146,692**	152,150
Deferred taxes	**(3,940)**	(31,800)
Changes in working capital accounts		
Loans to members	**(9,240,539)**	(31,831,930)
Income taxes recoverable	**-**	50,552
Other assets	**(668,363)**	(505,591)
Member deposits	**6,446,752**	22,170,830
Accrued patronage rebate	**(23,600)**	76,600
Trade payables and accrued liabilities	**396,494**	(36,539)
Income taxes payable	**(150,197)**	151,409
	(1,669,483)	(8,072,148)
Financing activities		
Increase (decrease) in membership shares, net	**685**	(380)
Investing activities		
Purchases of property, building and equipment	**(131,849)**	(84,688)
Decrease (increase) in investments and deposits	**5,345,160**	(3,360,342)
	5,213,311	(3,445,030)
Increase (decrease) in cash and cash equivalents	**3,544,513**	(11,517,558)
Cash and cash equivalents, beginning of year	**4,960,903**	16,478,461
Cash and cash equivalents, end of year	**8,505,416**	4,960,903
Supplementary cash flow information *(Note 15)*		

1. Reporting entity

Sydney Credit Union Limited *(the "Credit Union")* was formed pursuant to the Credit Union Act of Nova Scotia *("the Act")*. The address of the Credit Union's registered office is 95 Townsend Street, Sydney, Nova Scotia.

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

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

Statement of compliance

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

These 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.

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

3. Basis of preparation

Basis of measurement

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

Functional and presentation currency

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

Significant accounting judgments, estimates and assumptions

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

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.

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

Macroeconomic environment

The Credit Union continues to operate in an uncertain macroeconomic environment due to actions taken by the Bank of Canada. There is inherent uncertainty in estimating the impacts such as rising interest rates, inflation and supply chain disruptions on the macroeconomic environment. As a result, a heightened level of judgment in estimating expected credit losses (ECL's) continues to be required.

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

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

Classification of financial assets

Classification of financial assets requires management to make judgments regarding the business model under which the Credit Union's financial assets are held and whether contractual cash flows consist solely of payments of principal and interest.

Key assumptions in determining the allowance for expected credit losses

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

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

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

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

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

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

- Interest rates
- Unemployment rates
- Loan to value ratios
- Consumer price index
- Inflation

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

Key assumptions in determining the allowance for expected credit losses *(Continued from previous page)*

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

4. Summary of material accounting policies

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

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

Financial instruments

Financial assets

Recognition and initial measurement

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

Classification and subsequent measurement

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

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, segregated liquidity deposits, and loans to members.

- Fair value through other comprehensive income - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. Financial assets measured at fair value through other comprehensive income are comprised of share investments.

Refer to Note 19 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 loans to members 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, and requests to restructure loan payment schedules. For financial assets assessed as credit-impaired at the reporting date, the Credit Union continues to recognize a loss allowance equal to lifetime expected credit losses.

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

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

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

Refer to Note 19 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 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 other comprehensive income with adjustments to fair value recognized in other comprehensive income.

Debentures

Investments in debentures and term deposits 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, building and equipment.

All assets having limited useful lives are depreciated using 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	2 to 5 %
Parking lot	declining balance	5 %
Furniture and fixtures	declining balance	10 %
Data Equipment	straight-line	4 years

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.

Impairment of non-financial assets

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

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

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

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

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

Membership 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.

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

Employee benefits

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

Contributions to defined contribution plans are recognized as an expense when employees have rendered service to the Credit Union during the year, entitling them to the contributions.

The contribution payable to a defined contribution plan is in proportion to the services rendered to the Credit Union by the employees and is recorded as an expense under the personnel expenses. Unpaid contributions at year end are recorded as a liability.

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

5. Cash and cash equivalents

	2023	*2022*
Cash on hand	**1,254,656**	1,680,604
Accounts held at Atlantic Central	**535,321**	875,015
Cash management liquidity	**1,715,439**	2,405,284
Short-term deposits with Atlantic Central with an interest rate of 5.11%	**5,000,000**	-
	8,505,416	4,960,903

The Credit Union has an authorized operating line of credit of $7,478,000 (2022- $6,862,000) with Atlantic Central at prime rate of 7.20% (2022 - 6.45%), which is secured by an assignment of members' loans. The line of credit was unutilized as of December 31, 2023 (2022 - $Nil).

6. Investments and deposits

	2023	*2022*
Measured at amortized cost		
Segregated liquidity deposits	**22,660,328**	22,115,347
Debentures with Atlantic Central with an interest rates ranging from 4.75% to 5.29% (2022 - 3.08%)	**8,000,000**	2,500,000
Debentures with League Savings and Mortgage with interest rates ranging from 5.30% to 5.60% (2022 - 1.20% to 3.70%)	**10,000,000**	3,726,729
Debentures with Concentra Bank with interest rate of 5.45% (2022 - 3.48% to 4.30%)	**806,881**	5,828,174
Debentures with Central 1 with interest rates ranging from 1.99% to 4.69% in 2022	**-**	13,000,000
	41,467,209	47,170,250
Measured at fair value through other comprehensive income		
Atlantic Central - Common	**2,785,200**	2,711,860
Atlantic Central - Class Nova Scotia Provincial	**441,000**	441,000
Atlantic Central - Class League Savings and Mortgage	**2,042,410**	2,042,410
League Data Limited	**54,100**	54,100
Concentra Bank - Common	**10**	10
Concentra Bank - Class A Preferred	**1,000,000**	1,000,000
Other	**275**	275
	6,322,995	6,249,655
Subtotal	**47,790,204**	53,419,905
Accrued interest	**620,987**	336,446
Total	**48,411,191**	53,756,351

7. Loans to members

Principal and allowance by loan type:

2023

	Principal performing	Principal impaired	Allowance specific	Allowance for expected credit losses	Net carrying value
Personal loans	**38,707,433**	**370,883**	**164,911**	**327,010**	**38,586,395**
Lines of credit	**8,587,136**	**524,541**	**131,629**	**14,651**	**8,965,397**
Residential mortgages	**147,533,523**	**802,756**	**113,531**	**84,481**	**148,138,267**
Commercial loans	**48,020,058**	**5,638**	**3,012**	**99,718**	**47,922,966**
Commercial mortgages	**941,312**	-	-	-	**941,312**
Accrued interest	**406,363**	-	-	-	**406,363**
	244,195,825	**1,703,818**	**413,083**	**525,860**	**244,960,700**

2022

	Principal performing	Principal impaired	Allowance specific	Allowance for expected credit losses	Net carrying value
Personal loans	32,288,070	279,519	119,132	319,804	32,128,653
Lines of credit	10,471,007	62,092	41,928	39,726	10,451,445
Residential mortgages	136,431,109	472,207	34,228	113,658	136,755,430
Commercial loans	55,139,654	27,377	13,688	103,570	55,049,773
Commercial mortgages	975,323	-	-	-	975,323
Accrued interest (Note 22)	359,538	-	-	-	359,538
	235,664,701	841,195	208,976	576,758	235,720,162

Loan commitments

The Credit Union has authorized lines of credit in the amount of $16,498,196 which are unutilized at December 31, 2023 (2022 - $17,628,996).

The Credit Union was committed to the issuance of new loans to members in the amount of $2,376,302 at December 31, 2023 (2022 - $1,414,270).

Allowance for loan impairment

The allowance for loan impairment changed as follows:

	2023	*2022*
Balance, beginning of year	**785,734**	635,295
Provision for loan losses	**289,172**	222,431
	1,074,906	857,726
Less: accounts written off, net of recoveries	**135,963**	71,992
Balance, end of year	**938,943**	785,734

8. Property, building and equipment

	2023	2022
Cost	**7,504,443**	7,372,594
Accumulated depreciation	**4,320,830**	4,174,138
	3,183,613	3,198,456

	2023	2022
Land	**855,767**	855,767
Buildings	**1,913,747**	1,896,766
Furniture and fixtures	**375,106**	404,878
Parking lot	**38,993**	41,045
	3,183,613	3,198,456

	Land	*Buildings*	*Furniture and fixtures*	*Parking lot*	*Total*
Cost					
Balance, beginning of prior year	**855,767**	**3,415,849**	**2,934,026**	**82,264**	**7,287,906**
Additions	**-**	**13,892**	**70,796**	**-**	**84,688**
Balance, ending of prior year	**855,767**	**3,429,741**	**3,004,822**	**82,264**	**7,372,594**
Balance, beginning of current year	**855,767**	**3,429,741**	**3,004,822**	**82,264**	**7,372,594**
Additions	**-**	**78,098**	**53,751**	**-**	**131,849**
Balance, ending of current year	**855,767**	**3,507,839**	**3,058,573**	**82,264**	**7,504,443**

	Buildings	*Furniture and fixtures*	*Parking lot*	*Total*
Accumulated depreciation				
Balance, beginning of prior year	**1,470,293**	**2,512,636**	**39,059**	**4,021,988**
Depreciation	**62,682**	**87,308**	**2,160**	**152,150**
Balance, ending of prior year	**1,532,975**	**2,599,944**	**41,219**	**4,174,138**
Balance, beginning of current year	**1,532,975**	**2,599,944**	**41,219**	**4,174,138**
Depreciation	**61,117**	**83,523**	**2,052**	**146,692**
Balance, ending of current year	**1,594,092**	**2,683,467**	**43,271**	**4,320,830**

9. Other assets

	2023	*2022*
Prepaid expenses	**1,401,072**	458,315
Accounts receivable	**166,733**	182,088
Referral agreement	**111,600**	169,200
Foreclosed assets	**-**	201,439
	1,679,405	1,011,042

10. Member deposits

	2023	*2022*
Chequing	**82,848,917**	88,717,776
Savings	**85,628,004**	91,679,495
Registered retirement savings plans	**16,476,897**	16,408,388
Registered retirement income funds	**8,506,784**	7,320,956
Tax-free savings	**33,244,031**	27,880,911
Term deposits	**49,329,647**	38,552,592
Accrued interest on savings and deposits	**1,888,886**	916,297
	277,923,166	271,476,415

Member deposits are subject to the following terms:

- Members' deposits are insured by the Nova Scotia Credit Union Deposit Insurance Corporation.

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 plans are subject to the following terms:

- Concentra Trust is a trustee for all the registered savings plans offered to members. Under an agreement with Concentra Trust, 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 Trust.

11. Accrued patronage rebate

The patronage rebate is authorized by the Board of Directors and is allocated to members annually based on volume of business transacted by each member with the Credit Union during the year.

12. Income tax

Income tax expense recognized in profit

The applicable tax rate is the aggregate of the federal and provincial income tax rates of 29.0% (2022 - 29.0%).

12. Income tax *(Continued from previous page)*

Deferred tax expense recognized in profit

The deferred tax recovery recognized in profit for the current year is a result of the following changes:

	2023	*2022*
Deferred tax liability		
Property, building and equipment, difference in net book value and undepreciated cost	**(182,079)**	(180,500)
Investments, difference in cost bases of shares	**(127,889)**	(127,900)
	(309,968)	(308,400)
Deferred tax asset		
Loans to members, principally due to allowance for financial reporting purposes	**157,834**	159,100
Service awards, principally due to accrual for financial reporting purposes	**101,474**	94,700
	259,308	253,800
Net deferred tax liability	**(50,660)**	(54,600)

Reconciliation between income tax expense and pre-tax net profit

	2023	*2022*
Income before income taxes	**1,894,276**	2,320,512
Income tax expense calculated at 29.00% (2022 - 29.00%)	**549,340**	672,948
Tax effect resulting from application of rate reduction for small business income	**(87,500)**	(87,500)
Non-deductible expenses	**5,480**	2,994
Other	**(262)**	(101)
Income tax expense reported in profit	**467,058**	588,341

13. Equity shares

Authorized:

Unlimited number of equity shares, at an issue price of $5. Equity shares have no entitlement to interest or dividends. Dividends may be paid at the discretion of the Board of Directors. Equity shares are not insured by the Nova Scotia Credit Union Deposit Insurance Corporation.

	2023	*2022*
Member shares classified as equity		
Member shares, beginning of year	**16,807**	16,883
Issued during the year	**1,471**	1,132
Redeemed during the year	**(1,334)**	(1,208)
	16,944	16,807

14. Interest on members' deposits

	2023	2022
Chequing	**4,922**	2,608
Savings	**297,828**	179,429
Term deposits	**1,831,749**	832,364
Registered retirement savings plans	**513,799**	287,963
Registered retirement income funds	**308,180**	136,748
Tax-free savings accounts	**918,722**	347,402
	3,875,200	1,786,514

15. Supplemental cash flow information

Interest and income taxes received (paid):

Interest on members' deposits	**(3,004,786)**	(1,501,050)
Income taxes	**(620,141)**	(418,180)
Dividends and interest on investments	**1,957,439**	744,968
Interest on loans to members	**10,558,684**	8,745,929

16. Pension plan

The Credit Union maintains a defined contribution pension plan for its current and retired employees. The total expense recognized in the statement of comprehensive income for the defined contribution plan is $227,776 (2022- $214,282), which represents the total cash amount paid or payable by the Credit Union to the plan during the year.

17. 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 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, contributed surplus and retained earnings, of 5% of total assets. At year end the Credit Union had a capital base equal to 8.8% (2022 – 8.6%) of total assets.

18. Related party transactions

Key management compensation of the Credit Union

Key management of the Credit Union includes the Chief Executive Officer; Chief Operating Officer; Senior Manager, Branch Operations; 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	**429,635**	421,572
Post-employment benefits	**38,670**	36,751
Total remuneration	**468,305**	458,323

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

Transactions with key management personnel

The interest rates charged on balances outstanding from directors and their related parties are the same as those charged in an arm's length transaction. The interest rates charged on loans, mortgages and lines of credit to key management and their related parties are 1% less than those charged in an arm's length transaction, subject to the lesser of current posted or prime interest rates at the time of approval. Loan and mortgage balances are secured as per the Credit Union's lending policies. There are no loans that are impaired in relation to the loan balances with KMP or family or relatives of KMP.

	2023	*2022*
The total value of balances of KMP as at the year-end:		
Loans to members	**294,143**	744,848
Members' deposits	**1,089,655**	895,946
Membership shares	**150**	155

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.

Directors' fees and expenses

	2023	*2022*
Directors' remuneration	**59,570**	65,745

19. 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 and liquidity risk.

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

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

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

Various Board of Director's committees are involved in financial instrument risk management oversight, including the Audit and Risk 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.

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

Credit Risk

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

Risk management process

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

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

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.

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

Credit Risk *(Continued from previous page)*

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

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

Forward-looking information is incorporated into the determination of expected credit loss by considering regional economic journals and forecasts, collecting information available from regular commercial dealings with its members and other publicly available information and considering the effect such information could have on any assumptions or inputs used in the measurement of expected credit losses, determining significant increases in credit risk or identifying a credit-impaired financial asset.

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

The Credit Union has taken into consideration the macroeconomic impacts of the Bank of Canada interest rate increases on its collective allowance. Based on information and facts available at December 31, 2023, management provided a 10% (2022 - 10%) risk adjustment increase to its collective allowance for 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.

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

Credit Risk *(Continued from previous page)*

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.

		2023		
	12-month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Personal loans				
Low-fair risk	38,550,787	-	-	38,550,787
Watch list	-	156,646	-	156,646
Doubtful or impaired	-	-	370,883	370,883
Total gross carrying amount	38,550,787	156,646	370,883	39,078,316
Less: loss allowance	301,551	25,459	164,911	491,921
Total carrying amount	38,249,236	131,187	205,972	38,586,395
Lines of credit				
Low-fair risk	8,587,136	-	-	8,587,136
Watch list	-	-	-	-
Doubtful or impaired	-	-	524,541	524,541
Total gross carrying amount	8,587,136	-	524,541	9,111,677
Less: loss allowance	7,026	-	131,629	138,655
Total carrying amount	8,580,110	-	392,912	8,973,022
Residential mortgages				
Low-fair risk	147,268,823	-	-	147,268,823
Watch list	-	264,700	-	264,700
Doubtful or impaired	-	-	802,756	802,756
Total gross carrying amount	147,268,823	264,700	802,756	148,336,279
Less: loss allowance	84,481	-	113,531	198,012
Total carrying amount	147,184,342	264,700	689,225	148,138,267
Commercial loans				
Low-fair risk	48,020,058	-	-	48,020,058
Watch list	-	-	-	-
Doubtful or impaired	-	-	5,638	5,638
Total gross carrying amount	48,020,058	-	5,638	48,025,696
Less: loss allowance	99,718	-	3,012	102,730
Total carrying amount	47,920,340	-	2,626	47,922,966

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

Commercial mortgages				
Low-fair risk	**941,312**	**-**	**-**	**941,312**
Watch list	**-**	**-**	**-**	**-**
Doubtful or impaired	**-**	**-**	**-**	**-**
Total gross carrying amount	**941,312**	**-**	**-**	**941,312**
Less: loss allowance	**-**	**-**	**-**	**-**
Total carrying amount	**941,312**	**-**	**-**	**941,312**
Loan commitments				
Low-fair risk	**18,874,498**	**-**	**-**	**18,874,498**
Watch list	**-**	**-**	**-**	**-**
Doubtful or impaired	**-**	**-**	**-**	**-**
Total gross carrying amount	**18,874,498**	**-**	**-**	**18,874,498**
Less: loss allowance	**7,625**	**-**	**-**	**7,625**
Total carrying amount	**18,866,873**	**-**	**-**	**18,866,873**
Total				
Low-fair risk	**262,242,614**	**-**	**-**	**262,242,614**
Watch list	**-**	**421,346**	**-**	**421,346**
Doubtful or impaired	**-**	**-**	**1,703,818**	**1,703,818**
Total gross carrying amount	**262,242,614**	**421,346**	**1,703,818**	**264,367,778**
Less: loss allowance	**500,401**	**25,459**	**413,083**	**938,943**
Total carrying amount	**261,742,213**	**395,887**	**1,290,735**	**263,428,835**

	2022			
	12-month ECL	*Lifetime ECL (not credit impaired)*	*Lifetime ECL (credit impaired)*	*Total*
Personal loans				
Low-fair risk	32,141,529	-	-	32,141,529
Watch list	-	146,541	-	146,541
Doubtful or impaired	-	-	279,519	279,519
Total gross carrying amount	32,141,529	146,541	279,519	32,567,589
Less: loss allowance	294,457	25,347	119,132	438,936
Total carrying amount	31,847,072	121,194	160,387	32,128,653
Lines of credit				
Low-fair risk	10,469,550	-	-	10,469,550
Watch list	-	1,457	-	1,457
Doubtful or impaired	-	-	62,092	62,092
Total gross carrying amount	10,469,550	1,457	62,092	10,533,099
Less: loss allowance	19,744	291	41,298	61,333
Total carrying amount	10,449,806	1,166	20,794	10,471,766

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

Residential mortgages				
Low-fair risk	135,809,606	-	-	135,809,606
Watch list	-	621,503	-	621,503
Doubtful or impaired	-	-	472,207	472,207
Total gross carrying amount	135,809,606	621,503	472,207	136,903,316
Less: loss allowance	85,494	28,164	34,228	147,886
Total carrying amount	135,724,112	593,339	437,979	136,755,430
Commercial loans				
Low-fair risk	55,134,485	-	-	55,134,485
Watch list	-	5,169	-	5,169
Doubtful or impaired	-	-	27,377	27,377
Total gross carrying amount	55,134,485	5,169	27,377	55,167,031
Less: loss allowance	103,053	517	13,688	117,258
Total carrying amount	55,031,432	4,652	13,689	55,049,773
Commercial mortgages				
Low-fair risk	975,323	-	-	975,323
Watch list	-	-	-	-
Doubtful or impaired	-	-	-	-
Total gross carrying amount	975,323	-	-	975,323
Less: loss allowance	-	-	-	-
Total carrying amount	975,323	-	-	975,323
Loan commitments				
Low-fair risk	19,043,266	-	-	19,043,266
Watch list	-	-	-	-
Doubtful or impaired	-	-	-	-
Total gross carrying amount	19,043,266	-	-	19,043,266
Less: loss allowance	19,691	-	-	19,691
Total carrying amount	19,023,575	-	-	19,023,575
Total				
Low-fair risk	253,573,759	-	-	253,573,759
Watch list	-	774,670	-	774,670
Doubtful or impaired	-	-	841,195	841,195
Total gross carrying amount	253,573,759	774,670	841,195	255,189,624
Less: loss allowance	522,439	54,319	208,976	785,734
Total carrying amount	253,051,320	720,351	632,219	254,403,890

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 Sydney, Nova Scotia and surrounding areas.

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

Credit Risk *(Continued from previous page)*

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 of loans to members.

	12-month ECL	*Lifetime ECL (not credit impaired)*	*Lifetime ECL (credit impaired)*	*Total*
Balance at January 1, 2022	**448,449**	**54,895**	**131,951**	**635,295**
Transfer to 12-month ECL	**12,667**	**(2,894)**	**(9,773)**	**-**
Transfer to lifetime ECL (not credit impaired)	**3,288**	**4,297**	**(7,585)**	**-**
Transfer to lifetime ECL (credit impaired)	**(69,457)**	**-**	**69,457**	**-**
Net remeasurement of loss allowance	**179,485**	**(1,979)**	**44,925**	**222,431**
Write-offs	**(126,580)**	**-**	**(19,999)**	**(146,579)**
Recoveries of amounts previously written off	**74,587**	**-**	**-**	**74,587**
Balance at December 31, 2022	**522,439**	**54,319**	**208,976**	**785,734**
Balance at January 1, 2023	**522,439**	**54,319**	**208,976**	**785,734**
Transfer to 12-month ECL	**71,802**	**(39,787)**	**(32,015)**	**-**
Transfer to lifetime ECL (not credit impaired)	**(14,343)**	**14,343**	**-**	**-**
Transfer to lifetime ECL (credit impaired)	**(278,830)**	**(3,254)**	**282,084**	**-**
Net remeasurement of loss allowance	**292,129**	**(162)**	**(2,795)**	**289,172**
Write-offs	**(142,744)**	**-**	**(43,167)**	**(185,911)**
Recoveries of amounts previously written off	**49,948**	**-**	**-**	**49,948**
Balance at December 31, 2023	**500,401**	**25,459**	**413,083**	**938,943**

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

The carrying amount of Atlantic Central, League Data Limited and Concentra Bank 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.

Interest rate risk

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

In managing interest rate risk, the Credit Union relies primarily upon use of asset - liability and interest rate sensitivity simulation models, which is monitored by the 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 quarterly 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 after-tax net income by $58,800 over the next 12 months while an immediate and sustained 100 basis point decrease in interest rates would decrease after-tax net income by $100,900 over the next 12 months.

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

Interest rate risk *(Continued from previous page)*

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 member 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 member 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 member loans receivable and member 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*
Under 1 year	116,950,825	*5.07 %*	(162,716,708)	*1.93 %*	**(45,765,883)**	(31,780,536)
1 to 2 years	40,311,086	*4.18 %*	(18,094,715)	*3.07 %*	**22,216,371**	21,454,506
2 to 3 years	55,339,018	*3.53 %*	(4,896,150)	*1.46 %*	**50,442,868**	25,952,920
3 to 4 years	47,196,150	*4.09 %*	(2,912,628)	*1.07 %*	**44,283,522**	46,999,806
4 to 5 years	28,857,822	*5.63 %*	(4,907,519)	*1.67 %*	**23,950,303**	37,390,757
Over 5 years	4,402,369	*5.93 %*	-	*- %*	**4,402,369**	3,972,899
Non-interest sensitive	8,986,770	*- %*	(86,090,960)	*- %*	**(77,104,190)**	(82,169,882)
	302,044,040		**(279,618,680)**		**22,425,360**	21,820,470

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% and the actual liquidity was 15.9% (2022 - 19.0%).

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

Liquidity risk *(Continued from previous page)*

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 assesses 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.

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.

Risk measurement

The Credit Union's risk position is measured and monitored to ensure compliance with policy. Management provides 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.

20. Fair value measurement

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.

20. Fair value measurement *(Continued from previous page)*

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 other comprehensive income				
Investments and deposits- shares	**6,322,995**	**-**	**-**	**6,322,995**

				2022
	Fair Value	*Level 1*	*Level 2*	*Level 3*
Fair value through other comprehensive income				
Investments and deposits - shares	6,249,655	-	-	6,249,655

Financial instruments not measured at fair value

The carrying amount, fair value, and categorization into the fair value hierarchy of 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	**8,505,416**	**8,505,416**	**8,505,416**	**-**	**-**
Segregated liquidity deposits	**22,660,328**	**22,660,328**	**22,660,328**	**-**	**-**
Loans to members	**244,960,700**	**228,917,466**	**-**	**228,917,466**	**-**
Accounts receivable	**166,733**	**166,733**	**-**	**166,733**	**-**
Investments and deposits - debentures	**19,427,868**	**19,443,617**	**-**	**19,443,617**	**-**
	295,721,045	**279,693,560**	**31,165,744**	**248,527,816**	**-**

20. Fair value measurement *(Continued from previous page)*

Financial liabilities measured at amortized cost					
Member deposits	**277,923,166**	**277,903,248**	**-**	**277,903,248**	**-**
Accrued patronage rebate	**306,800**	**306,800**	**-**	**306,800**	**-**
Trade payable and accrued liabilities	**1,388,713**	**1,388,713**	**-**	**1,388,713**	**-**
	279,618,679	**279,598,761**	**-**	**279,598,761**	**-**

					2022
	Carrying amount	*Fair Value*	*Level 1*	*Level 2*	*Level 3*
Financial assets measured at amortized cost					
Cash and cash equivalents	4,960,903	4,960,903	4,960,903	-	-
Segregated liquidity deposits	22,115,347	22,115,347	22,115,347	-	-
Loans to members	235,720,162	220,006,554	-	220,006,554	-
Accounts receivable	182,088	182,088	-	182,088	-
Investments and deposits - debentures	25,391,349	25,278,987	-	25,278,987	-
	288,369,849	272,543,879	27,076,250	245,467,629	-
Financial liabilities measured at amortized cost					
Member deposits	271,476,415	270,215,685	-	270,215,685	-
Accrued patronage rebate	330,400	330,400	-	330,400	-
Trade payable and accrued liabilities	992,219	992,219	-	992,219	-
	272,799,034	271,538,304	-	271,538,304	-

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

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

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

21. Events after the reporting period

Subsequent to the reporting date, the Credit Union entered into an agreement with North Sydney Credit Union Limited providing the amalgamation of the two Credit Unions. An electronic vote was held between September 11, 2023 and September 21, 2023 where the members of Sydney Credit Union Limited and North Sydney Credit Union Limited voted to approve the amalgamation of the two Credit Unions under the existing entity Sydney Credit Union Limited. The amalgamation was completed subsequent to the reporting date and became effective January 1, 2024.

Sydney Credit Union Limited
Schedule 1 - Member Security Expenses
For the year ended December 31, 2023

	2023	*2022*
Member security		
Bonding insurance	**55,290**	51,027
Deposit insurance	**211,042**	198,750
	266,332	249,777

Schedule 2 - General Business Expenses
For the year ended December 31, 2023

	2023	*2022*
General business		
Advertising and promotion	**278,246**	259,487
Service fees and charges	**1,322,952**	1,150,878
Central assessment and dues	**350,463**	326,895
Service contracts and maintenance	**72,235**	67,799
Courier and postage	**46,758**	48,993
Office	**76,658**	59,184
Scholarships	**16,400**	15,000
Professional fees	**53,318**	50,452
Telephone	**37,376**	38,373
Data processing	**538,370**	472,906
Educational	**147,619**	125,840
Miscellaneous	**191,171**	150,793
Security	**111,476**	109,491
Risk management and compliance	**70,507**	69,561
Administrative fees - RRSP	**17,794**	15,421
Courier	**16,812**	14,755
Credit bureaus	**22,121**	19,913
	3,370,276	2,995,741

Schedule 3 - Occupancy Expenses
For the year ended December 31, 2023

	2023	*2022*
Occupancy		
Municipal taxes	**128,180**	119,035
Repairs and maintenance	**101,565**	85,291
Heat, lights and water	**102,400**	85,436
Janitorial and cleaning supplies	**104,494**	98,473
Insurance	**53,084**	36,035
	489,723	424,270