CHRISTIAN CREDIT UNION LTD.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED OCTOBER 31, 2024

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Members of Christian Credit Union Ltd.

Management has the responsibility for preparing the accompanying financial statements and ensuring that all information in the Annual Report is consistent with these statements. This responsibility includes selecting appropriate accounting principles and making objective judgments and estimates in accordance with International Financial Reporting Standards and the requirements of the *Credit Union Act*.

In discharging its responsibility for the integrity and fairness of the financial statements, as well as for the accounting systems from which they are derived, management maintains the necessary systems of internal controls designed to provide assurance that transactions are authorized, assets are safeguarded and proper records are maintained.

The ultimate responsibility to members for the financial statements lies with the Board of Directors. The Board appoints an Audit Committee to review financial statements with management in detail and to report to the Board prior to its approval to publish the financial statements.

The Board appoints external auditors to audit the financial statements and to meet with both the Audit Committee and management to review their findings. The external auditors report directly to the members. The external auditors have full and free access to the Audit Committee to discuss their audit, as well as their findings concerning the integrity of the Credit Union's financial reporting and the adequacy of its systems of internal controls.

Edmonton, Alberta
January 6, 2025

John Veldkamp
Chief Executive Officer

Neil Loogman, CPA
Controller

INDEPENDENT AUDITORS' REPORT

To the Members of Christian Credit Union Ltd.

Opinion

We have audited the accompanying financial statements of Christian Credit Union Ltd. (the "Credit Union"), which comprise the statement of financial position as at October 31, 2024 and the statements of net income and comprehensive income, changes in members' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Credit Union as at October 31, 2024, and its financial performance 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 *Auditors' 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of these 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.

(continues)

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.

- Evaluate the appropriateness of accounting policies 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 auditors' 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 or our auditors' 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.

METRIX GROUP LLP

Chartered Professional Accountants

Edmonton, Alberta
January 6, 2025

CHRISTIAN CREDIT UNION LTD.

STATEMENT OF FINANCIAL POSITION

AS AT OCTOBER 31, 2024

	2024	2023
ASSETS		
Cash and cash equivalents	**$ 1,794,063**	$ 7,083,438
Investments (Note 5)	**81,503,134**	81,347,102
Member loans receivable (Note 8)	**179,755,746**	175,128,343
Other assets	**178,940**	113,032
Derivative assets (Note 9)	**1,148,791**	2,817,245
Leased assets (Note 10)	**615,451**	-
Property and equipment (Note 11)	**3,816,582**	2,947,937
Intangible assets (Note 12)	**528,308**	314,521
	$269,341,015	$269,751,618
LIABILITIES		
Accounts payable and accrued liabilities	**$ 469,458**	$ 256,782
Income taxes payable	**25,472**	342,111
Deferred income taxes (Note 13)	**312,485**	260,877
Lease liabilities (Note 10)	**615,451**	-
Member deposits (Note 14)	**242,894,890**	244,400,026
	244,317,756	245,259,796
MEMBERS' EQUITY		
Allocation distributable	**453,231**	769,591
Member shares (Note 15)	**3,725,377**	3,131,761
Retained earnings	**20,844,651**	20,590,470
	25,023,259	24,491,822
	$269,341,015	$269,751,618

ON BEHALF OF THE BOARD:

____________________ Director

____________________ Director

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

CHRISTIAN CREDIT UNION LTD.

STATEMENT OF NET INCOME AND COMPREHENSIVE INCOME

FOR THE YEAR ENDED OCTOBER 31, 2024

	2024	2023
Interest Income		
Interest from member loans	$ 8,078,482	$ 7,060,337
Investment income	3,952,884	3,183,342
Interest on interest rate swaps	1,214,639	1,140,528
Unrealized loss on interest rate swaps	(1,635,650)	(150,579)
	11,610,355	11,233,628
Interest Expense		
Interest on member deposits	4,724,273	3,381,427
Interest on financing	19,944	8,470
	4,744,217	3,389,897
Net Interest Income Before Impairment Charges	6,866,138	7,843,731
Net Investment Impairment Charges (Recovery)	956	(164)
Net Member Loan Impairment Charges (Recovery)	(12,410)	(1,258)
Net Interest Income After Impairment Charges	6,877,592	7,845,153
Other Income (Note 16)	1,620,116	1,644,730
Operating Income	8,497,708	9,489,883
Operating Expenses (Schedule 1)	7,220,321	6,555,298
Income Before Profit Sharing	1,277,387	2,934,585
Profit Sharing	300,999	641,684
Income Before Income Taxes	976,388	2,292,901
Income Taxes (Note 13)		
Current	515,847	490,733
Deferred	51,608	44,796
	567,455	535,529
Net Income and Comprehensive Income	$ 408,933	$ 1,757,372

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

CHRISTIAN CREDIT UNION LTD.

STATEMENT OF CHANGES IN MEMBERS' EQUITY

FOR THE YEAR ENDED OCTOBER 31, 2024

	Allocation Distributable	Member Shares	Retained Earnings	Total
Balance, October 31, 2022	$ 398,588	$ 2,903,816	$ 18,963,249	$ 22,265,653
Net income and comprehensive income	-	-	1,757,372	1,757,372
Common share dividends (4.2%)	130,151	-	(130,151)	-
Current year profit sharing	641,684	-	-	641,684
Allocation distributable partially paid through issuance of member shares	(400,832)	381,059	-	(19,773)
Issuance of member shares	-	21,515	-	21,515
Redemption of member shares	-	(174,629)	-	(174,629)
Balance, October 31, 2023	**$ 769,591**	**$ 3,131,761**	**$ 20,590,470**	**$ 24,491,822**
Net income and comprehensive income	-	-	408,933	408,933
Common share dividends (4.2%)	154,752	-	(154,752)	-
Current year profit sharing	300,999	-	-	300,999
Allocation distributable partially paid through issuance of member shares	(772,111)	727,998	-	(44,113)
Issuance of member shares	-	87,937	-	87,937
Redemption of member shares	-	(222,319)	-	(222,319)
Balance, October 31, 2024	**$ 453,231**	**$ 3,725,377**	**$ 20,844,651**	**$ 25,023,259**

CHRISTIAN CREDIT UNION LTD.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED OCTOBER 31, 2024

	2024	2023
Cash Provided By (Used For) The Following Activities:		
Operating Activities		
Interest received from member loans	$ **8,038,760**	$ 6,978,162
Interest received from investments	**3,597,078**	2,574,131
Dividends received	**-**	43,500
Other income received	**2,867,559**	2,602,460
Interest paid to members and other	**(4,205,798)**	(2,356,849)
Income taxes received (paid)	**(832,486)**	(245,490)
Net operating expenses paid	**(7,498,323)**	(6,580,953)
Net change in investments	**199,774**	(3,237,857)
Net change in member loans receivable	**(4,587,681)**	3,661,745
Net change in member deposits	**(2,023,611)**	2,204,811
	(4,444,728)	5,643,660
Investing Activities		
Purchase of property and equipment	**(963,424)**	(80,669)
Purchase of intangible assets	**(300,143)**	(180,073)
	(1,263,567)	(260,742)
Financing Activities		
Issue of member shares	**815,935**	402,574
Redemption of member shares	**(222,319)**	(174,629)
Interest paid on financing	**(19,944)**	(8,470)
Common share dividends paid	**(154,752)**	(130,151)
	418,920	89,324
Net Increase in Cash and Cash Equivalents	**(5,289,375)**	5,472,242
Cash and Cash Equivalents, Beginning of Year	**7,083,438**	1,611,196
Cash and Cash Equivalents, End of Year	$ **1,794,063**	$ 7,083,438

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

1. REPORTING ENTITY

Christian Credit Union Ltd. (the "Credit Union") is incorporated under the *Credit Union Act* of the Province of Alberta and operations include branches in Edmonton and Lethbridge.

The Credit Union Deposit Guarantee Corporation (the "Corporation"), a Provincial Corporation, guarantees the repayment of all deposits with Alberta credit unions, including accrued interest. The *Credit Union Act* provides that the Province will ensure that the Corporation carries out this obligation.

The Credit Union's registered office is located at 13504–142 Street, Edmonton, Alberta, T5L 4Z2.

2. BASIS OF PRESENTATION

Statement of Compliance

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

The financial statements were approved and authorized for issue by the Board of Directors on January 6, 2025.

Basis of Measurement

The financial statements have been prepared using the historical cost basis unless otherwise noted in the significant accounting policies.

Functional Currency

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

Use of Estimates and Judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in Notes 3 and 4.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are summarized below.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, ATM cash and operating accounts with Credit Union Central Alberta ("Central").

Investments

Investments are initially measured at fair value and subsequently accounted for, depending on their classification, as either fair value through profit and loss or amortized cost, financial assets.

Investments in Associates and Joint Ventures

The equity method of accounting is used to account for the investments in associates and joint ventures in which the Credit Union has an ownership interest which results in it having significant influence to participate in the financial and operating policy decisions of the investee but not control. Under this method, the investment is initially recorded at cost and is adjusted thereafter for the post-acquisition change in the Credit Union's share of net assets of the investee.

The carrying value of the investment accounted for using the equity method are based on the initial investment in these companies adjusted for the Credit Union's share of profit or loss of the investee which is deemed to be a reasonable estimate of fair value. As these investments are not publicly traded it is not possible to determine what the actual trading value might be should a sale occur.

Derivatives

Derivative financial contracts are used to manage financial risks associated with movements in interest rates. The Credit Union does not use derivative instruments for trading or speculative purposes. The estimated fair value of all derivatives are based on current observable market data.

Derivatives with positive fair values are recorded as financial assets, while derivatives with negative fair values are recorded as financial liabilities. The realized and unrealized gains and losses on derivatives are recorded in interest income in the statement of net income and comprehensive income.

Member loans receivable

Member loans are measured initially at fair value plus transaction costs, and subsequently at amortized cost using the effective interest method, less any impairment losses. All loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments

(i) Financial Assets

Recognition and initial measurement

The Credit Union recognizes financial assets when it becomes party to the contractual provisions of the asset. 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 the statement of net income and comprehensive income when incurred.

Classification and subsequent measurement

On initial recognition, financial assets are recorded at fair value and subsequently classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

Financial assets are classified as follows:

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

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

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

On initial recognition of a financial asset that is not held for trading, the Credit Union may irrevocably elect to present subsequent changes in FVOCI. This election is made on an investment by-investment basis. All other financial assets are classified as measured at FVTPL.

For financial assets classified as measured at FVTPL or designated at FVTPL, changes in fair value are recognized in the statement of net income and comprehensive income. For financial assets classified as measured at FVOCI or an irrevocable election has been made, changes in fair value are recognized in the statement of net income and comprehensive income. For financial assets and other financial liabilities measured at amortized cost, interest income and interest expense are calculated using the effective interest method and is recognized in the statement of net income and comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

Business model assessment

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

Contractual cash flow assessment

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

Reclassifications

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

Impairment

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

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

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

The Credit Union applies the simplified approach for other receivables. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

The Credit Union assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial asset 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;
- 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; and
- Financial assets are written off when the Credit Union has no reasonable expectations of recovering all or any portion thereof.

Derecognition of financial assets

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

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.

(ii) 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 the statement of net income and comprehensive income.

Classification and subsequent measurement

Subsequent to initial recognition, financial liabilities are measured at amortized cost or fair value through profit or loss. When the transfer of a financial asset does not qualify for derecognition because the Credit Union has retained substantially all of the risks and rewards of ownership, a liability is recognized for the consideration received. Subsequently, any expense incurred on the financial liability is recognized in the statement of net income and comprehensive income.

All financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities measured at amortized cost include member deposits and accrued interest, trade payables and accrued liabilities.

The classification of a financial instrument or component as a financial liability or equity instrument determines where gains or losses are recognized. Interest, dividends, gains and losses relating to financial liabilities are recognized in the statement of net income and comprehensive income while distributions to members of instruments classified as members' equity are recognized in members' equity.

Derecognition of financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment

Land is measured at cost and is not depreciated. Other items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Depreciation of other items of property and equipment is calculated at the following annual rates on a straight-line basis:

Computer equipment	4 years
Furniture and equipment	5 years
Building	50 years

Gains or losses on disposal of property and equipment are recorded in the statement of net income and comprehensive income in the year of disposal.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Intangible assets

Intangible assets consist of computer software which are not integral to the computer hardware owned by the Credit Union. Software is initially recorded at cost and subsequently measured at cost less accumulated amortization and any accumulated impairment (losses). Software is amortized on a straight-line basis over its estimated useful life of 2 - 13 years.

The useful lives of the intangible assets are reviewed on an annual basis and the useful life is altered if estimates have changed significantly. Gains or losses on the disposal of intangible assets are determined as the difference between the net disposal proceeds and the carrying amount of the asset, and are recorded in the statement of net income and comprehensive income.

Leases

Leases are arrangements containing identified assets that the lessee has the right to control, obtain substantially all economic benefit and the right to direct use of the asset. Leases are recognized at the lease commencement date.

<u>The Credit Union as a Lessee</u>
At initial recognition, the leased asset (right-of-use asset) is equal to the value of the lease liability with adjustments for incentives received, initial direct costs, and an estimate of costs to restore the asset to the condition required by the contract. The lease liability is calculated as the present value of the lease payments taking into consideration all allowable adjustments, such as a penalty for termination or exercise price of a purchase option.

Subsequent to initial recognition, leased assets are depreciated on a straight-line basis over the shorter of the asset's estimated useful life and the lease term, in accordance with the accounting policy for property and equipment. The lease liability is measured at amortized cost using the effective interest rate. Depreciation expense is recognized on the leased asset and interest expense on the lease liability is recorded in occupancy expenses.

The discount rate used in calculating the present value of the lease payment is based on the Credit Union's incremental borrowing rate.

The classes of leases currently held by the Credit Union include buildings.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Non-Financial Assets

Impairment reviews are performed when there are indicators that the recoverable amount of an asset may be less than the carrying value. The recoverable amount is determined as the higher of an asset's fair value less cost to sell and value in use. Impairment is recognized in the statement of net income and comprehensive income when there is an indication that an asset may be impaired. In the event that the value of previously impaired assets recovers, the previously recognized impairment loss is recovered in the statement of net income and comprehensive income at that time.

Member shares

Member shares are classified as liabilities or members' equity in accordance with their terms. Shares redeemable at the option of the member, either on demand or on withdrawal from membership, are classified as liabilities. Shares redeemable at the discretion of the Credit Union Board of Directors are classified as equity.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Credit Union and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

(i) Interest income is recognized in the statement of net income and comprehensive income for all financial assets measured at amortized cost using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash flows through the expected life of the financial instrument back to the net carrying amount of the financial asset.

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

(iii) Other income which includes fees, service charges and commission income, is recognized when services are provided to members and collection is reasonably assured.

Profit sharing

Profit sharing is recognized in net income when declared by the Board of Directors.

Foreign currency translation

Transaction amounts denominated in foreign currencies are translated into the Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities reflect exchange rates at the statement of financial position date. Translation gains and losses are included in other income.

Pension Plan

The Credit Union participates in a defined contribution pension plan with eligible employees. Contributions are recognized as an expense in the year to which they relate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes

Tax expense for the period is comprised of current and deferred income tax.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income taxes are provided for using the liability method. Under this method, temporary differences are recorded using tax rates that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the corresponding taxes will be paid or refunded. Temporary differences are comprised primarily of differences between the carrying amounts and the income tax bases of the Credit Union's property and equipment. Deferred income 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.

4. USE OF ESTIMATES AND KEY JUDGMENTS

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses during the reporting year. Accordingly, actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if it affects only that period or in the period of revision and future periods if the revision affects both current and future years. The most significant uses of judgments, estimates and assumptions are as follows:

Expected Credit Loss Allowance

The Credit Union measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for debt investment securities that are determined to have low credit risk at the reporting date and loans and advances where credit risk has not increased significantly since their initial recognition. In particular, management judgment is required in the estimate of whether credit risk of an instrument has increased significantly, inputs into the ECL quantitative model and in the use of forward-looking information. The Credit Union incorporates forward-looking economic information in its measurement of ECL.

The Credit Union assesses whether credit risk on a financial asset has increased significantly considering reasonable and supportable information since initial recognition in order to determine whether a 12 month ECL or lifetime ECL should be recognized. When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Credit Union considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Credit Union's historical experience and expert credit assessment.

Fair Value of Financial Instruments

The Credit Union determines the fair value of financial instruments that are not quoted in an active market using valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. In that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realized immediately.

Property and Equipment and Intangible Assets

Depreciation methods, useful lives and residual values require estimation and are reviewed annually and adjusted if appropriate.

Leased Assets and Lease Liabilities

Depreciation methods, useful lives and valuation of the leased assets and lease liabilities require estimation and are reviewed annually and adjusted if appropriate.

Income Taxes

Management exercises judgment in estimating the provision for income taxes. The Credit Union is subject to income tax laws in the federal and provincial jurisdictions where it operates. Various tax laws are potentially subject to different interpretations by the Credit Union and the relevant tax authority. To the extent that the Credit Union's interpretations differ from those of tax authorities or the timing of realization is not as expected, the provision for income taxes may increase or decrease in future periods to reflect actual experience.

Significant management judgment is also required to determine the deferred tax balances. Management is required to determine the amount of deferred tax assets and liabilities that can be recognized. This is based on their best estimate of the likely timing that the temporary difference will be realized, and of the likelihood that taxable profits will exist in the future.

5. INVESTMENTS

	2024	2023
Credit Union Central Alberta		
Term deposits	**$ 48,325,000**	$ 53,236,580
Shares	**3,000,000**	3,000,000
Other		
Term deposits and bonds	**28,855,127**	24,142,320
CUSO Wealth Strategies Inc. shares	**100**	100
Concentra Bank shares	**-**	46
CU CUMIS Wealth Holdings LP units	**2**	2
	80,180,229	80,379,048
Accrued interest	**1,341,837**	986,031
Allowance for impaired investments	**(18,932)**	(17,977)
	$ 81,503,134	$ 81,347,102

All term deposits and bonds mature from November 2024 to September 2025 with effective yeilds ranging from 3.75% to 5%. As required by the *Credit Union Act*, the Credit Union holds investments in Central to maintain its statutory liquidity requirements.

6. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The Credit Union holds an 11% (2023 - 9%) proportionate ownership interest in CUSO Wealth Strategies Inc. ("CUSO"). Management has determined that the Credit Union has joint control, over CUSO.

CUSO carries on the business of providing management, administrative and advisory services in respect of wealth management services and products, together with such other businesses as the parties may from time to time approve.

For the year ended December 31, 2023, CUSO had assets of $136,820 (2022 - $297,206), liabilities and equity of $136,820 (2022 - $297,206), income of $557,318 (2022 - $607,539) and expenses of $726,177 (2022 - $692,892).

7. OPERATING DEMAND LOAN AND TERM LOAN

The Credit Union has an approved revolving operating demand loan with Central which is secured by a general assignment of book debts and assignment of investments and deposits held at Central. The authorized limit on the revolving operating demand loan is $7,000,000. The demand loan bears interest at Central's prime rate less .5%. At October 31, 2024, the Credit Union had $NIL outstanding on its operating demand loan (2023 - $NIL).

The Credit Union has an approved term loan with Central which is secured by a general assignment of book debts and assignment of investments and deposits held at Central. The authorized limit on the term loan is $12,400,000. The term loan bears interest at Central's prime rate less 1%. At October 31, 2024, the Credit Union had $NIL outstanding on its term loan (2023 - $NIL).

8. MEMBER LOANS RECEIVABLE

	Principal Performing	Principal Impaired	Allowance for Impaired Loans	**2024 Net**
Residential	$ 80,209,250	$ -	$ 13,689	**$ 80,195,561**
Commercial	86,791,104	-	104,262	**86,686,842**
Consumer	8,011,661	-	1,370	**8,010,291**
Agricultural	4,374,114	-	-	**4,374,114**
	179,386,129	-	119,321	**179,266,808**
Accrued interest	488,938	-	-	**488,938**
	$ 179,875,067	$ -	$ 119,321	**$ 179,755,746**

	Principal Performing	Principal Impaired	Allowance for Impaired Loans	2023 Net
Residential	$ 82,010,769	$ -	$ 15,525	$ 81,995,244
Commercial	81,556,990	-	112,385	81,444,605
Consumer	6,989,527	-	3,715	6,985,812
Agricultural	4,253,466	-	-	4,253,466
	174,810,752	-	131,625	174,679,127
Accrued interest	449,216	-	-	449,216
	$ 175,259,968	$ -	$ 131,625	$ 175,128,343

Reconciliation of allowance for expected credit losses

	12- Month ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Credit Impaired	**2024**
Balance, beginning of year	131,625	-	-	**131,625**
Net impairment charges (recovery)	(12,304)	-	-	**(12,304)**
Loans written off	-	-	-	**-**
Balance, end of year	$ 119,321	$ -	$ -	**$ 119,321**

8. MEMBER LOANS RECEIVABLE (CONTINUED)

Loans Past Due But Not Impaired

A loan is considered past due when a counterparty has not made a payment by the contractual due date. The table that follows presents the carrying value of loans at year-end that are past due but not classified as impaired because they are either i) less than 90 days past due, or ii) fully secured and collection efforts are reasonably expected to result in repayment.

	1-30 Days	31-60 Days	61-90 Days	91 Days and Greater	**2024 Total**
Consumer	$ -	$ -	$ -	$ -	$ -

	1-30 Days	31-60 Days	61-90 Days	91 Days and Greater	2023 Total
Consumer	$ -	$ -	$ 3,455	$ -	$ 3,455

Credit Quality of Loans

The Credit Union holds collateral against loans to members in the form of interests over property, other securities over assets, and guarantees. It is not practical to value all collateral as at the balance sheet date due to the variety of assets and conditions.

Concentration of Risk

The Credit Union has an exposure to groupings of individual loans which concentrate risk and create exposure to particular segments. The majority of loans to members are with members located in and around Edmonton and Lethbridge, Alberta. A significant portion of the Credit Union's loan portfolio is secured by residential property in and around Edmonton and Lethbridge, Alberta. Therefore, the Credit Union is exposed to the risks in reduction of the loan to valuation ratio coverage should the property market be subject to a decline. The risk of loss from loans undertaken is primarily reduced by the nature and quality of the security taken.

There were no individual or related groups of loans to members which exceeded 2.5% of total assets as at October 31, 2024.

9. DERIVATIVE ASSETS

	2024	2023
Interest Rate Swaps - fair value	**$ 1,148,791**	$ 2,817,245

The fair values of derivative financial instruments (interest rate swaps) are calculated based on market conditions at the reporting date and may not be reflective of future fair values. During the year ended October 31, 2024, outstanding interest rate swaps resulted in unrealized loss of $1,635,651 (2023 - $150,759). Unrealized gains/losses are included in interest income in the statement of net income and comprehensive income.

At October 31, 2024, outstanding interest rate swaps had the following terms:

Notional amount of $10,000,000, at a fixed interest rate of 0.86%, maturing December 23, 2025.
Notional amount of $10,000,000, at a fixed interest rate of 1.391%, maturing April 27, 2026.
Notional amount of $10,000,000, at a fixed interest rate of 1.415%, maturing June 3, 2026.

10. LEASES

For the year ended October 31, 2024, the Credit Union had non-cash additions to leased assets of $615,451 (2023 - $Nil) and lease liabilities of $615,451 (2023 - $Nil). No interest or depreciation expense has been recorded for the year ended October 31, 2024, as the leased asset construction is in progress at year end.

Present value of future lease payments are as follows:

	2024	2023
Within 1 year	$ **65,149**	$ -
Between 1 and 5 years	**379,051**	-
After 5 years	**378,901**	-
Total future lease payments	**823,101**	-
Less present value discount	**207,650**	-
Total lease liability	**615,451**	-

11. PROPERTY AND EQUIPMENT

	Land	Building	Furniture and Equipment	Computer Equipment	Leasehold Improvements	Total
COST:						
Balance at October 31, 2023	$ 727,220	$ 3,297,638	$ 404,977	$ 144,978	$ -	$ 4,574,813
Additions	-	-	20,615	47,587	923,410	991,612
Disposals	-	(28,188)	-	-	-	(28,188)
Balance at October 31, 2024	$ 727,220	$ 3,269,450	$ 425,592	$ 192,566	$ 923,410	$ 5,538,237
ACCUMULATED DEPRECIATION:						
Balance at October 31, 2023	$ -	$ 1,144,871	$ 373,473	$ 108,532	$ -	$ 1,626,876
Depreciation expense	-	65,389	11,600	17,790	-	94,779
Disposals	-	-	-	-	-	-
Balance at October 31, 2024	$ -	$ 1,210,260	$ 386,073	$ 126,322	$ -	$ 1,721,655
NET BOOK VALUE:						
October 31, 2023	$ 727,220	$ 2,152,767	$ 31,504	$ 36,446	$ -	$ 2,947,937
October 31, 2024	$ 727,220	$ 2,059,190	$ 40,519	$ 66,243	$ 923,410	$ 3,816,582

Cost includes construction in progress of $923,410 (2023 - $nil) for leasehold improvement additions. These amounts are not amortized until the asset is complete and in use.

12. INTANGIBLE ASSETS

	2024	2023
COST:		
Balance, Beginning of Year	$ **890,928**	$ 758,626
Additions	**300,143**	180,073
Disposals	**-**	(47,771)
Balance, End of Year	**1,191,071**	890,928
ACCUMULATED DEPRECIATION:		
Balance, Beginning of Year	**576,407**	583,743
Amortization expense	**86,356**	40,435
Disposals	**-**	(47,771)
Balance, End of Year	**662,763**	576,407
NET BOOK VALUE	$ **528,308**	$ 314,521

13. INCOME TAXES

	2024	2023
Expected income tax expense at statutory rates	$ **224,569**	$ 527,367
Non-taxable amounts	**340,606**	4,693
Non-deductible expenses	**2,280**	1,332
Adjustments for tax treatment of property and equipment and intangible assets.	**-**	2,137
Total income tax expense	$ **567,455**	$ 535,529

The deferred income tax liability is comprised of temporary deductible (taxable) differences between the tax and accounting treatment of the following items:

	2024	2023
Property and equipment, and intangible assets	$ **312,485**	$ 260,877

14. MEMBER DEPOSITS

	2024	2023
Demand deposits	$ **78,901,632**	$ 77,332,327
Term deposits	**62,038,865**	58,588,323
Registered deposits	**37,590,839**	35,051,340
Participatory savings	**62,111,572**	71,749,182
Unclaimed balances	**89,837**	35,184
	240,732,745	242,756,356
Accrued interest	**2,162,145**	1,643,670
	$242,894,890	$244,400,026

The repayment of all member deposits, including accrued interest, is guaranteed by Credit Union Deposit Guarantee Corporation for which the Credit Union pays a deposit guarantee assessment fee.

Concentra Financial Services Association acts as the trustee of the Registered Retirement Savings Plan, Registered Retirement Income Fund, Tax Free Savings Accounts and First Home Savings Accounts offered to members. Under an agreement, Concentra Financial Services Association deposits the contributions to the plans, and the interest earned on them, in the Credit Union.

Concentration of Risk

The Credit Union has an exposure to groupings of individual deposits which concentrate risk and create exposure to particular segments. The majority of member deposits are with members located in and around Edmonton and Lethbridge, Alberta.

There were no individual or related groups of members for which deposits exceeded 3.1% of total assets as at October 31, 2024.

15. MEMBER SHARES

The *Credit Union Act* created a class of equity shares known as common shares having the following characteristics:

i) an unlimited number may be issued;
ii) a par value of $1, but fractional shares may be issued;
iii) transferable only in restricted circumstances;
iv) non-assessable; and
v) redemption of common shares is at par value and is at the discretion of the Credit Union, subject to the restrictions contained in the *Credit Union Act* and Regulations.

A member must purchase a minimum of 25 shares (1 share for minors and members over 65 years of age) to retain membership in the Credit Union.

The Corporation does not guarantee common shares which represent "at risk" capital.

16. OTHER INCOME

	2024	2023
Wealth management services	$ **718,778**	$ 708,736
Banking service fees	**439,929**	445,284
Foreign exchange	**140,806**	118,479
Other	**111,793**	103,224
Credit card fees	**78,878**	165,193
Loan fees	**74,817**	61,624
Insurance fees	**55,115**	42,190
	$ **1,620,116**	$ 1,644,730

17. COMMITMENTS

Credit Commitments

In the normal course of business, the Credit Union enters into various commitments to meet the credit requirements of its members. These include credit commitments and letters of guarantee which are not included in the balance sheet. The credit commitments are identified in the credit risk area of Note 19.

Credit Union Deposit Guarantee Corporation

The Credit Union Deposit Guarantee Corporation (the "Corporation") is a deposit insurance corporation. By legal obligation under the *Credit Union Act* of Alberta, the Corporation protects the savings and deposits of all Credit Union members in every credit union within Alberta. By legislation, the Credit Union pays a quarterly levy to the Corporation based on a percentage of member deposits.

18. RELATED PARTY TRANSACTIONS

Key Management Personnel

Key management personnel ("KMP") of the Credit Union are those persons having authority and responsibility for planning, directing, and controlling the activities of the Credit Union, directly or indirectly. KMP have been taken to comprise directors and members of management responsible for the day-to-day financial and operational management of the Credit Union.

Loans

The Credit Union provides loans to KMP subject to approved lending guidelines applicable to all member loans. The Credit Union, in accordance with its policy, grants loans to its management and staff at reduced rates established by the Board. Board members pay regular member rates on loans. There are no loans to KMP that are impaired at year end.

The total value of member loans receivable to KMP are as follows:

	2024	2023
Total loans advanced	$ **1,582,114**	$ 5,762,988
Unused value of lines of credit	**3,661,892**	6,723,302
Total	$ **5,244,006**	$ 12,486,290

Deposits

Deposit accounts held by KMP are maintained under the same terms and conditions as deposits of other members.

The total value of member deposits from KMP are as follows:

	2024	2023
Demand deposits	$ **906,229**	$ 5,669,486
Term deposits	**38,133**	1,347,308
Registered plans	**1,805**	270,658
	$ **946,167**	$ 7,287,452

Member Shares

The total member shares held by KMP are as follows:

	2024	2023
Member shares	$ **42,269**	$ 33,227

18. RELATED PARTY TRANSACTIONS (CONTINUED)

Income and Expense

Total income and expense from KMP loans and deposits are as follows:

	2024	2023
Interest and other revenue earned on loans	$ **90,184**	$ 74,504
Interest on deposits	$ **5,881**	$ 24,446
Profit sharing paid	$ **6,474**	$ 6,927

Remuneration

Total compensation of KMP is as follows:

	2024	2023
Salaries and short-term benefits	$ **846,312**	$ 830,218

There was no compensation for post-employment benefits, long-term benefits, termination benefits, or share-based compensation during 2024 or 2023.

Remuneration paid to Directors totaled $24,400 (2023 - $28,850). Director expenses totaled $9,503 (2023 - $8,561). Remuneration paid to Directors in 2024 ranged from $1,250 - $4,700 (2023 - $1,350 - $5,350) with an average of $2,218 (2023 - $2,623).

19. RISK MANAGEMENT

The Credit Union's risk management policies are designed to identify and analyze risk, to set appropriate risk limits and controls, and to monitor the risk and adherence to limits by means of reliable and up-to-date information systems. The Credit Union follows an enterprise risk management framework, which involves identifying particular events or circumstances relevant to its objectives, assessing them in terms of profitability and magnitude, determining a response strategy and monitoring progress. The Credit Union regularly reviews its risk management policies and systems to take account of changes in markets and products.

Risk management is carried out by management who reports to the Board. The Board provides written principles for risk tolerance and overall risk management. Management reports to the Board on compliance with the risk management policies of the Credit Union.

Financial instruments comprise the majority of the Credit Union's assets and liabilities. The Credit Union accepts deposits from members at both fixed and floating rates for various periods. The Credit Union seeks to earn an interest rate margin by investing these funds in high quality financial instruments – principally loans and mortgages. The primary types of financial risk that arise from this activity are credit risk, liquidity risk and market risk which is comprised of interest rate risk.

The following table describes the significant financial instrument activity undertaken by the Credit Union, the risks associated with such activities, and the types of methods used in managing those risks.

Activity	**Risks**	**Method of managing risks**
Investments	Sensitivity to changes in interest rates, liquidity and credit risk	Asset-liability matching, monitoring of investment restrictions and monitoring of counterparty risk
Member loans	Sensitivity to changes in interest rates, liquidity and credit risk	Asset-liability matching and monitoring of counterparty risk
Member deposits	Sensitivity to changes in interest rates, liquidity and credit risk	Asset-liability matching

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. Financial margin reported in the statement of net income and comprehensive income may increase or decrease in response to changes in market interest rates. Accordingly, the Credit Union sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored by management and reported to the Board.

19. RISK MANAGEMENT (CONTINUED)

To manage the repricing of asset and liability mismatch opportunities the Credit Union will undertake campaigns to procure deposits or loans that re-price/mature within a specific time period, buy/sell assets that reprice/mature within a specific time period and may purchase derivative instruments. These decisions are based on economic conditions, member behaviour, capital and liquidity levels and compliance with Credit Union policy.

Other types of interest rate risk may involve basis risk, the risk of loss from changes in the relationship of interest rates which may not have identical characteristics (for example the difference between prime rate and variable rate loans and variable rate deposits) and prepayment risk (the risk of loss of interest income arising from early repayment of fixed rate mortgages and loans). These risks are also monitored on a regular basis and reported to the Board.

Interest rate risk is measured by:

(a) Static gap analysis which aggregates cash flows into repricing periods based on the maturity dates of the assets and liabilities.

(b) Income simulation models that use current interest revenue, current interest expense and market values. These models incorporate assumptions about pricing strategies, growth, volume, new business and interest rates.

(c) Market value of portfolio equity determines the present value of all assets and liabilities. This provides an estimate of the equity value of the Credit Union.

The following schedule shows the Credit Union's sensitivity to interest rate changes as at October 31, 2024. Fixed rate assets and fixed rate liabilities are reported based on scheduled repayments. Variable rate assets and liabilities that are linked to prime rate are reported in the floating rate category. Non-interest bearing assets and non-interest bearing liabilities are reported in the non-rate sensitive category.

As At October 31, 2024

	Floating Rate	Within 1 Year	1 to 5 Years	Non-Rate Sensitive	Total
Assets					
Cash	$ 1,059,362	$ -	$ -	$ 734,701	$ 1,794,063
Effective Interest Rate	*1.20%*	*0.00%*	*0.00%*	*0.00%*	*0.71%*
Investments	-	71,622,460	5,542,000	4,338,674	81,503,134
Effective Interest Rate	*0.00%*	*4.40%*	*4.70%*	*0.00%*	*3.87%*
Member loans	19,864,129	53,726,000	105,796,000	369,617	179,755,746
Effective Interest Rate	*6.77%*	*4.76%*	*4.20%*	*0.00%*	*4.64%*
Other	-	-	-	6,288,072	6,288,072
	20,923,491	125,348,460	111,338,000	11,731,064	269,341,015
Liabilities					
Member deposits	127,857,000	73,904,000	20,751,000	20,382,890	242,894,890
Effective Interest Rate	*0.47%*	*4.57%*	*4.25%*	*0.00%*	*2.00%*
Other	-	-	-	1,422,866	1,422,866
Equity	-	-	-	25,023,259	25,023,259
	127,857,000	73,904,000	20,751,000	46,829,015	269,341,015
Net mismatch	$(106,933,509)	$ 51,444,460	$ 90,587,000	$(35,097,951)	$ -

As At October 31, 2023

Net mismatch	$(105,795,160)	$ 38,659,232	$100,938,000	$(33,802,072)	$ -

19. RISK MANAGEMENT (CONTINUED)

Credit risk

Credit risk is the risk that financial loss will be incurred due to the failure of a counterparty to discharge its contractual commitment or obligation to the Credit Union arising from member loans and investments. The primary credit risk arising from loans is the possibility that members will be unable or unwilling to repay some or all of the principal and interest on their loans. Allowances for credit losses are made for losses that have been incurred at the statement of financial position date.

Management of credit risk is an integral part of the Credit Union's activities. Management carefully monitors and manages the Credit Union's exposure to credit risk by a combination of methods. Credit risk arises principally from lending activities that result in member loans and advances and treasury activities that result in investments of cash resources. The overall management of credit risk is centralized in the Credit Committee which reports to the Board.

Concentration of loans is managed by the implementation of sectoral and member specific limits.

The Credit committee is responsible for approving and monitoring the Credit Union's tolerance for credit exposures, which it does through review and approval of the Credit Union's lending policies and through setting limits on credit exposures to individual members and across sectors. The Credit Union maintains levels of borrowing approval limits, and prior to advancing funds to a member, an assessment of the credit quality of the member is made. The Credit Union emphasizes responsible lending in its relationships with members and establishes that loans are within the member's ability to repay, rather than relying exclusively on collateral.

The Credit Union often takes security as collateral in common with other lending institutions. The Credit Union maintains guidelines on the acceptability of specific types of collateral. Collateral may include mortgages over residential properties and charges over business assets such as premises, inventory and accounts receivable. Where significant impairment indicators are identified, the Credit Union will take additional measures to manage the risk of default, which may include seeking additional collateral.

The credit quality of the commercial loan portfolio for those loans that are neither past due nor impaired can be assessed by reference to the Credit Union's internal rating system. The Credit Union assesses the quality of loans using an internal rating tool taking into consideration a number of factors, such as the security, the borrower's management performance, current and projected financial results and industry statistics related to the borrower's industry and utilizes the experience and judgment of the Credit department.

19. RISK MANAGEMENT (CONTINUED)

The following information represents the maximum exposure to credit risk before taking into consideration any collateral. For financial assets recognized on the balance sheet, the exposure to credit risk is their stated carrying amount. For off balance sheet items, the maximum exposure is the full amount of the undrawn facilities or loan commitment.

	2024	2023
On balance sheet exposure		
Investments	**$ 81,503,134**	$ 81,347,102
Loans	**179,755,746**	175,128,343
Off balance sheet exposure		
Letters of guarantee	**238,135**	493,135
Commitments to extend credit		
Original terms to maturity of 1 year or less	**87,892,416**	84,399,891
	$349,389,431	$341,368,471

Concentration of credit risk exists if a number of borrowers are engaged in similar economic activities or are located in the same geographic region, and indicates the sensitivity of the Credit Union to developments affecting a particular segment of borrowers or geographic region.

Geographic credit risk exists for the Credit Union due to its primary service area being in Edmonton, Lethbridge and surrounding areas.

Liquidity risk

Liquidity risk is the risk that the Credit Union will encounter difficulty in raising funds to meet its obligations to members and other liabilities. To mitigate this risk, the Credit Union is required to maintain, in the form of cash and term deposits, a minimum liquidity at all times. The Credit Union has established policies which include minimum liquidity requirements, eligibility requirements for liquid assets, investments with counterparties, deposit concentration and diversification limits. The Credit Union monitors expected cash inflows and outflows on a daily, cyclical, and long-term basis. The Credit Union's preferred source of funding is member deposits; however, borrowing from Central is permitted during periods where loan demand exceeds deposit growth. Other sources of funding such as sale of assets, deposits from other credit unions and wholesale deposits are acceptable.

The *Credit Union Act* of Alberta requires the Credit Union to maintain a minimum liquidity ratio of 6.0% of total assets. The Credit Union's liquidity ratio was 7.4% at October 31, 2024 (2023 – 6.7%).

Management reviews its compliance with these policies and reports its statutory liquidity position to the Board of Directors on an exception basis. It reports the operating liquidity to the Board of Directors on a monthly basis. The Audit and Finance Committee ensures that a periodic review/audit is performed to verify compliance with policy and procedures.

Foreign Exchange Risk

Foreign exchange risk is the risk that arises when future commercial transactions or recognized assets or liabilities are denominated in a foreign currency. Foreign exchange risk is not considered significant as the Credit Union does not engage in any active trading of foreign currency positions or hold significant foreign currency denominated financed investments for an extended period.

19. RISK MANAGEMENT (CONTINUED)

Price Risk
Price risk arises from changes in market risks, other than interest rate, credit, liquidity or foreign exchange risk, such as changes in agricultural commodity prices, where these changes cause fluctuations in the fair value or future cash flows of a financial instrument. The Credit Union is exposed to price risk as members of the Credit Union are involved in the agricultural commodity sector.

20. CAPITAL MANAGEMENT

The Credit Union's objectives when managing capital are:

(a) To ensure the long term viability of the Credit Union and the security of member deposits by holding a level of capital deemed sufficient to protect against unanticipated losses; and

(b) To comply at all times with the capital requirements set out in the *Credit Union Act.*

The Credit Union measures the adequacy of capital using two methods:

(a) Total capital as a percentage of total assets; and

(b) Total capital as a percentage of risk weighted assets. Under this method the Credit Union reviews its loan portfolio and other assets and assigns a risk weighting using definitions and formulas set out in the *Credit Union Act*. The more risk associated with an asset, a higher weighting is assigned. This method allows the Credit Union to measure capital relative to the possibility of loss with more capital required to support assets that are seen as being higher risk.

The Credit Union management ensures compliance with capital adequacy through the following:

(a) Setting policies for capital management, monitoring and reporting;

(b) Setting policies for related areas such as asset liability management;

(c) Reporting to the Board of Directors or its committees regarding financial results and capital adequacy;

(d) Reporting to the Corporation on its capital adequacy; and

(e) Setting budgets and reporting variances to those budgets.

The Credit Union is required under the *Credit Union Act* to have a capital balance that is equal to or exceeds the greater of:

(a) 4% of total assets; and

(b) 8% of risk weighted assets.

An additional regulatory capital buffer of 2.5% of total risk weighted assets is also required.

The Corporation also expects the Credit Union to hold an internal capital buffer equal to a minimum of 2% of total risk weighted assets.

20. CAPITAL MANAGEMENT (CONTINUED)

Credit Union management measures the adequacy of the Credit Union's capital to these requirements on an ongoing basis and report the results to the Board of Directors and the Corporation.

The Credit Union's capital includes:

	2024	2023
Retained earnings	**$ 20,844,651**	$ 20,590,470
Member shares	**3,725,377**	3,131,761
Allocation distributable	**453,231**	769,591
Deferred income taxes liability	**312,485**	260,877
Credit loss allowances	**138,253**	149,602
Intangible assets	**(528,308)**	(314,521)
	$ 24,945,689	$ 24,587,780

As at October 31, 2024 the Credit Union's available capital as a percent of total assets was 9.3% (2023 – 9.2%) and the available capital as a percent of total risk weighted assets was 14.9% (2023 – 15.7%). Therefore, the Credit Union has exceeded its minimum capital requirement at October 31, 2024.

21. CLASSIFICATION OF FINANCIAL INSTRUMENTS

The carrying amount of the Credit Union's financial instruments by classification is as follows:

October 31, 2024

	Fair value Through Profit or Loss	Amortized Cost	Total
Cash and cash equivalents	$ 1,794,063	$ -	$ 1,794,063
Investments (Note 5)	3,000,102	78,503,032	81,503,134
Member loans	-	179,755,746	179,755,746
Other financial assets	1,148,791	-	1,148,791
Other financial liabilities	-	(494,930)	(494,930)
Member deposits	-	(242,894,890)	(242,894,890)
	$ 5,942,956	$ 14,868,958	$ 20,811,914

October 31, 2023

	Fair value Through Profit or Loss	Amortized Cost	Total
Cash and cash equivalents	$ 7,083,438	$ -	$ 7,083,438
Investments (Note 5)	3,000,148	78,346,954	81,347,102
Member loans	-	175,128,343	175,128,343
Other financial assets	2,817,245	-	2,817,245
Other financial liabilities	-	(598,893)	(598,893)
Member deposits	-	(244,400,026)	(244,400,026)
	$ 12,900,831	$ 8,476,378	$ 21,377,209

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value amounts disclosed represent point in time estimates that may change in subsequent reporting periods due to market conditions or other factors. The Credit Union has estimated fair values taking into account changes in interest rates and credit risk that have occurred since the assets and liabilities were acquired. These calculations represent the Credit Union's best estimates based on a range of methods and assumptions. Since they involve uncertainties, the fair values may not be realized in an actual sale or immediate settlement of the instrument. Interest rate changes are the main cause of changes in the fair value of the Credit Union's financial instruments.

The following methods and assumptions are used to estimate the fair market value:

i) The fair values of cash, demand deposits, certain other assets and certain other liabilities approximate their carrying values, due to their short-term nature.

ii) The estimated fair values of floating-rate investments, member loans and member deposits are assumed to equal carrying value as the interest rates automatically reprice to market.

iii) The estimated fair values of fixed-rate investments, member loans and member deposits are determined by discounting the expected future cash flows of these items at current market rates for products with similar terms and credit risks.

The total value of loans determined using the above assumptions is reduced by the allowance for impaired loans.

	2024			2023		
	Fair Value	**Carrying Value**	**Change**	Fair Value	Carrying Value	Change
Assets						
Cash	**$ 1,794,063**	**$ 1,794,063**	**$ -**	$ 7,083,438	$ 7,083,438	$ -
Investments	**81,785,134**	**81,503,134**	**282,000**	81,411,102	81,347,102	64,000
Member loans	**172,860,746**	**179,755,746**	**(6,895,000)**	171,485,343	175,128,343	(3,643,000)
Other assets	**1,148,791**	**1,148,791**	**-**	2,817,245	2,817,245	-
	$ 257,588,734	**$ 264,201,734**	**$ (6,613,000)**	$ 262,797,128	$ 266,376,128	$ (3,579,000)
Liabilities						
Member deposits	**$ 243,863,890**	**$ 242,894,890**	**$ 969,000**	$ 246,187,026	$ 244,400,026	$ 1,787,000
Other liabilities	**494,930**	**494,930**	**-**	598,893	598,893	-
	$ 244,358,820	**$ 243,389,820**	**$ 969,000**	$ 246,785,919	$ 244,998,919	$ 1,787,000
	$ 13,229,914	**$ 20,811,914**	**$ (7,582,000)**	$ 16,011,209	$ 21,377,209	$ (5,366,000)

22. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Assets and liabilities recorded at fair value in the statement of the financial position are measured and classified in a hierarchy consisting of three levels for disclosure purposes; the three levels are based on the priority of the inputs to the respective valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). An asset or liability's classification within the fair value hierarchy is based on the lowest level of significant input to its valuation. The input levels are defined as follows:

Level 1: Unadjusted quoted prices in an active market for identical assets and liabilities. Assets measured at fair value and classified as Level 1 include cash and cash equivalents.

Level 2: Quoted prices in markets that are not active or inputs that are observable either directly (i.e., as prices) or indirectly (i.e.derived from prices). Level 2 inputs include quoted prices for assets in markets that are considered less active. There are no assets measured at fair value classified as Level 2.

Level 3: Unobservable inputs that are supported by little or no market activity. Level 3 assets and liabilities would include financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of estimated fair value requires significant management judgment or estimation. Assets measured at fair value and classified as Level 3 include Central shares, CUSO shares and CU CUMIS Wealth Holding LP units.

There were no transfers between fair value hierarchy levels for the years ended October 31, 2024 and 2023.

CHRISTIAN CREDIT UNION LTD.

SCHEDULE I

SCHEDULE OF OPERATING EXPENSES

FOR THE YEAR ENDED OCTOBER 31, 2024

	2024	2023
Personnel		
Salaries	$ 3,279,318	$ 2,937,682
Benefits	539,218	479,779
Training and recruitment	116,030	62,461
	3,934,566	3,479,922
Occupancy		
Property taxes	96,587	95,906
Depreciation	65,389	65,389
Building maintenance	58,184	91,965
Utilities	35,952	34,329
Janitor	31,106	32,445
	287,218	320,034
Security		
Deposit guarantee assessment	119,309	119,304
Bonding	51,722	52,742
	171,031	172,046
Organization		
Travel	80,114	63,035
Central dues	59,079	51,409
Meetings	53,625	34,531
Conventions	51,702	34,578
Directors and committees remuneration	24,400	28,850
	268,920	212,403
General		
Computer services	1,538,017	1,311,495
Marketing and advertising	368,144	341,335
Professional fees	273,097	415,582
Cash, service charges, and other fees	120,133	106,062
Office and communications	106,879	105,435
Amortization of intangible assets	86,356	40,435
Depreciation	29,390	23,599
Insurance	21,016	13,375
Equipment maintenance	11,101	9,393
Credit reports	4,453	4,182
	2,558,586	2,370,893
Total Operating Expenses	$ 7,220,321	$ 6,555,298