Lakeland
CREDIT UNION

2023

FINANCIAL STATEMENTS

For the year ending October 31, 2023

LAKELAND CREDIT UNION LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED OCTOBER 31, 2023

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Management's Responsibility for Financial Reporting

The consolidated financial statements of Lakeland Credit Union Ltd. and all other information contained in the annual report are prepared and presented by management, which is responsible for their accuracy, objectivity and completeness. This responsibility includes presenting the statements in accordance with International Financial Reporting Standards (IFRS). The preparation of the statements necessarily involves the use of estimates, which are made using careful judgment.

Management is responsible for maintaining a system of internal controls designed to provide reasonable assurance as to the reliability of financial information and the safeguarding of assets.

The Board of Directors (Board) has the ultimate responsibility for these consolidated financial statements. The Board oversees management's responsibilities for financial reporting through The Finance, Audit & Risk Committee, which is composed entirely of directors who are not officers or employees of Lakeland Credit Union Ltd. The Committee reviews the financial statements and recommends them to the Board for approval.

To carry out its duties, the Finance, Audit & Risk Committee (Committee) reviews the annual consolidated financial statements, as well as issues related to them. The Committee also assesses the effectiveness of internal controls over the accounting and financial reporting systems. The Committee's review of financial reports includes an assessment of key management estimates and judgments material to the financial results.

The external auditor, appointed by the Board of Directors, conducted an audit of these consolidated financial statements in accordance with Canadian generally accepted auditing standards. The external auditor has full and unrestricted access to the Committee to discuss their audit findings as to the integrity of Lakeland Credit Union Ltd.'s financial reporting and adequacy of internal controls.

Mowbrey Gil LLP Chartered Professional Accountants has examined these financial statements and their report follows.

Mr. John Peters, President and CEO

Mr. Kevin Bos, VP Finance & Risk

Bonnyville, Alberta
January 25, 2024

Independent Auditor's Report

To the Members of Lakeland Credit Union Ltd.

Opinion

We have audited the consolidated financial statements of Lakeland Credit Union Ltd. (the Credit Union), which comprise the consolidated statement of financial position as at October 31, 2023, and the consolidated statements of income and comprehensive income, changes in members' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Credit Union in accordance with ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements for the year ended October 31, 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on January 26, 2023.

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

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

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

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

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

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Mowbrey Gil LLP

Edmonton, Alberta
January 25, 2024

CHARTERED PROFESSIONAL ACCOUNTANTS

Lakeland Credit Union Ltd.
Consolidated Statement of Financial Position
October 31, 2023

	2023	2022
Assets		
Cash and cash equivalents *(Note 4)*	**$ 9,161,338**	$ 65,607,735
Investments and accrued interest *(Note 5)*	**244,423,469**	149,538,423
Member loans receivable and accrued interest *(Note 6)*	**441,952,290**	453,578,011
Income taxes recoverable	**-**	354,007
Other assets *(Note 7)*	**425,528**	464,710
Property and equipment *(Note 8)*	**11,065,839**	11,541,109
Derivative financial assets *(Note 9)*	**-**	119,573
Intangible assets *(Note 10)*	**778,212**	833,580
	$707,806,676	$682,037,148
Liabilities		
Member deposits and accrued interest *(Note 11)*	**$602,177,831**	$578,511,393
Accounts payable and accrued liabilities	**1,501,055**	1,407,670
Income taxes payable	**368,744**	-
Patronage allocation payable *(Note 12)*	**751,757**	861,090
Derivative financial liabilities *(Note 9)*	**-**	119,573
Deferred tax *(Note 13)*	**59,658**	129,658
	604,859,045	581,029,384
Contingent liabilities and commitments *(Note 14)*		
Members' equity		
Member shares *(Note 15)*	**20,576,067**	20,671,836
Allocation distributable *(Note 12)*	**620,054**	727,026
Retained earnings	**81,751,510**	79,608,902
	102,947,631	101,007,764
	$707,806,676	$682,037,148

On behalf of the Board

Salman Arabi, Board Chair

Brian Fieger, Finance Audit and Risk Committee Chair

Lakeland Credit Union Ltd.
Consolidated Statement of Income and Comprehensive Income
Year Ended October 31, 2023

	2023	2022
Interest income		
Member loans	**$ 16,506,909**	$ 14,549,408
Investments	**10,172,785**	2,650,014
	26,679,694	17,199,422
Interest expense		
Member deposits	**11,647,218**	4,347,814
Financing	**5,932**	1,290
	11,653,150	4,349,104
Financial margin	**15,026,544**	12,850,318
Other income (expense)		
Other income	**2,476,591**	2,535,774
Allowance for investment loss	**(1,539)**	(1,644)
Allowance for loan loss	**(286,255)**	232,643
	2,188,797	2,766,773
Operating expenses		
Personnel	**7,893,800**	6,859,727
Administrative	**3,619,743**	2,983,833
Occupancy	**819,972**	851,983
Member security	**401,590**	362,300
Organization	**317,429**	309,226
	13,052,534	11,367,069
Income before patronage allocation and income taxes	**4,162,807**	4,250,022
Patronage allocation *(Note 12)*	**(751,757)**	(861,090)
Income before income taxes	**3,411,050**	3,388,932
Income taxes *(Note 13)*		
Current	**861,000**	516,862
Deferred	**(70,000)**	244,149
	791,000	761,011
Net income and comprehensive income for the year	**$ 2,620,050**	$ 2,627,921

	Member shares	Allocation distributable	Retained earnings	**2023**	2022
Balance - beginning of year	$ 20,671,836	$ 727,026	$ 79,608,902	**$101,007,764**	$ 99,262,403
Net income and comprehensive income for the year	-	-	2,620,050	**2,620,050**	2,627,921
Issuance of member shares	18,113	-	-	**18,113**	80,034
Redemption of member shares	(840,908)	-	-	**(840,908)**	(1,129,811)
Dividends paid through issuance of member shares	727,026	(727,026)	-	**-**	-
Dividends accrued	-	620,054	(620,054)	**-**	-
Income tax recovery	-	-	142,612	**142,612**	167,217
Balance - end of year	$ 20,576,067	$ 620,054	$ 81,751,510	**$102,947,631**	$101,007,764

	2023	2022
Operating activities		
Net income and comprehensive income for the year	**$ 2,620,050**	$ 2,627,921
Items not affecting cash:		
Amortization of property, equipment, and intangible assets	**600,343**	593,952
Deferred taxes	**(70,000)**	244,149
Loss on disposal of property and equipment	**68,250**	1,083
	3,218,643	3,467,105
Changes in non-cash working capital:		
Investments and accrued interest	**(94,885,046)**	(17,925,491)
Member loans receivable and accrued interest	**11,625,721**	8,500,427
Foreclosed properties held for sale	**-**	406,805
Other assets	**39,182**	(349,692)
Member deposits and accrued interest	**23,666,437**	32,707,850
Accounts payable and accrued liabilities	**93,386**	(69,877)
Income taxes payable	**722,751**	350,525
Patronage allocation distributable	**(109,333)**	25,995
	(58,846,902)	23,646,542
	(55,628,259)	27,113,647
Investing activity		
Purchase of property, equipment and intangible assets	**(137,955)**	(136,635)
Financing activities		
Net decrease in member shares	**(202,742)**	(322,751)
Common share dividends paid, net of taxes	**(477,441)**	(559,809)
	(680,183)	(882,560)
Increase (decrease) in cash flow	**(56,446,397)**	26,094,452
Cash and cash equivalents - beginning of year	**65,607,735**	39,513,283
Cash and cash equivalents - end of year	**$ 9,161,338**	$ 65,607,735
Cash flows supplementary information		
Interest received	**$ 23,741,679**	$ 16,469,333
Interest paid	**$ 8,388,592**	$ 3,521,210
Income taxes paid	**$ 138,249**	$ 166,337

1. Reporting entity information

Entity information

Lakeland Credit Union Ltd. (the Credit Union) is incorporated under the Credit Union Act of the Province of Alberta.

The Credit Union operates two credit union branches and serves members in the communities of Bonnyville and Cold Lake. The address of the Credit Union's registered office is 5016 - 50 Ave, PO Box 8057, Bonnyville, AB, T9N 2J3.

The Credit Union Deposit Guarantee Corporation (CUDGC), 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 CUDGC carries out this obligation.

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These consolidated financial statements for the year ended October 31, 2023 were recommended for approval and authorized for issue by the Board of Directors on January 25, 2024.

Basis of measurement

These consolidated financial statements have been prepared on the historic cost basis except for financial assets and financial liabilities classified as available for sale or as fair value with gains or losses included in the consolidated statement of income and comprehensive income.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars (CAD), which is the functional currency of the Credit Union.

2. Significant accounting policies

Consolidation

The consolidated financial statements include the accounts of the Credit Union and its subsidiary corporation, LCU Financial Ltd., which is wholly-owned. All inter-corporate balances and transactions have been eliminated.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, the current account with Credit Union Central Alberta Limited (operating as Alberta Central) and items in transit and are recorded at amortized cost in the consolidated statement of financial position. These items are highly liquid financial assets with maturities of three months or less from the acquisition date and are used by the Credit Union in the management of short-term commitments.

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2. Significant accounting policies *(continued)*

Investments

Alberta Central term deposits and shares

Alberta Central term deposits are accounted for at amortized cost, and are adjusted to recognize other than a temporary impairment in the underlying value. Alberta Central shares are classified as fair value through profit or loss (FVTPL) and are measured at fair value with unrealized gains and losses recognized through profit or loss.

Central 1 shares

Central 1 shares are classified as fair value through profit or loss (FVTPL) and are measured at fair value with unrealized gains and losses recognized through profit or loss.

CUSO Wealth Strategies shares

CUSO Wealth Strategies shares are classified as fair value through profit or loss (FVTPL) and are measured at fair value with unrealized gains and losses recognized through profit or loss.

Portfolio investments

Investments and other shares are valued initially at fair value, then are adjusted to recognize other than a temporary impairment in the underlying value. Investments are purchased with the intention to hold them to maturity, or until market conditions cause alternative investments to become more attractive. Equity investments that do not have a quoted market price in an active market are estimated to be equal to cost.

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.

For additional information on the Credit Union's investments in associates and joint ventures see *Note* 5.

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2. Significant accounting policies *(continued)*

Member loans receivable

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, plus accrued interest. 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 and equipment

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

Amortization is provided using the following methods and rates intended to amortize the cost of the assets over their estimated useful lives:

Buildings	40 years	straight-line method
Computer equipment	3-5 years	straight-line method
Furniture and equipment	5 years	straight-line method
Security equipment	5 years	straight-line method
Parking lots	5 years	straight-line method

The useful lives of items of property and equipment are reviewed on a regular basis and the useful life is altered if estimates have changed significantly. Gains or losses on disposal of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the consolidated statement of income and comprehensive income as other operating income or other operating costs, respectively.

Intangible assets

Intangible assets consist of computer software which are not integral to the computer hardware owned by the Credit Union. Intangible assets are carried at cost, less accumulated amortization and accumulated impairment losses, if any. Input costs directly attributable to the development or implementation of the assets are capitalized if it is probable that future economic benefits associated with the expenditure will flow to the Credit Union and the cost can be measured reliably. Finite life intangible assets are tested for impairment when events or circumstances indicate that the carrying value may not be recoverable. When the recoverable amount is less than the net carrying value and impairment loss is recognized in the consolidated statement of income and comprehensive income.

Intangible assets available for use are amortized on a straight-line basis over their estimated useful lives of 120 months. The method of amortization and the useful lives of the assets are reviewed annually and adjusted if appropriate.

There are no indefinite life intangible assets.

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2. Significant accounting policies *(continued)*

Impairment of financial assets

The Credit Union records an allowance for loan losses for all financial assets that are measured at amortized cost or at fair value through other comprehensive income (FVOCI), which also includes loan commitments and financial guarantee contracts. Equity investments are not subject to impairment. Impairment losses are measured based on the estimated amounts and timing of future cash flows, and collateral values.

For financial assets measured at FVOCI, the calculated expected credit loss (ECL) does not reduce the carrying amount in the consolidated statement of financial position, which remains at fair value. Instead, the allowance is recognized in other comprehensive income (OCI) as an accumulated impairment amounts with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is reclassified to profit or loss when the asset is derecognized.

Measurement of Expected Credit Losses

At each reporting date, the Credit Union recognizes a loss allowance based on an impairment model that comprises three different stages:

- Stage 1: For financial instruments that have not had a significant increase in credit risk since initial recognition and are not considered credit-impaired financial assets at initial recognition, a loss allowance amounting to 12-month expected credit losses is recognized.
- Stage 2: For financial instruments that have had a significant increase in credit risk since initial recognition, but are not considered credit-impaired financial assets, a loss allowance amounting to the lifetime expected credit losses is recognized.
- Stage 3: For financial instruments considered credit impaired, a loss allowance amounting to the lifetime expected credit losses continues to be recognized.

Stage 1 and 2 are considered to be performing loans and Stage 3 consists of impaired loans. Financial instruments may, over their life, move from one impairment model to another based on the improvement or deterioration in their credit risk and the level of expected credit losses. Instruments are categorized based on the change in credit risk from origination (initial recognition) to current reporting date.

Forward-looking information

The Credit Union assesses on a forward-looking basis the expected credit loss associated with its assets carried at amortized cost and FVTPL and with the exposure arising from loan commitments and financial guarantee contracts. The Credit Union recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and,

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2. Significant accounting policies *(continued)*

- Reasonable and supportable information that is available without the undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Expected life

For loans in Stages 2 and 3, allowances are based on the ECL over the loan's expected remaining lifetime. For most loans, the life is based on the remaining contractual term. Exceptions can apply if the loan has the following characteristics:

- Includes both a loan and an undrawn commitment component;
- The contractual liability by the lender to demand repayment and cancel the undrawn commitment; and,
- If there is no stated contractual term (i.e. credit cards, home equity lines of credit (HELOC's) and revolving lines of credit).

Significant increase in credit risk

Movement in the stages relies on judgment to assess whether a loan's credit risk has significantly increased relative to the date the loan was initially recognized. For this assessment, an increase in credit risk is considered at the instrument level.

Assessing for significant increases in credit risk is performed quarterly based on the following factors. Should any of these factors indicate a significant increase in credit risk, the loan is moved to the appropriate stage:

- Credit risk ratings: commercial and agricultural loans use an internal risk rating, while personal and residential mortgages use beacon scores, or,
- Loans that are 30 days past due are typically considered to have experienced a significant increase in credit risk (Stage 2), or,
- Loans past 90 days are typically considered to be in default (Stage 3), or,
- Other factors known by the Credit Union are also used as appropriate to determine staging if different from above. This can include, but not limited to, information gathered in the collections process.

If a member's credit risk increases significantly from initial recognition, the loan associated with that member will increase to the next stage level. If these conditions reverse and the member's credit risk recovers back to its initial rating or better, the loan will move back a stage.

Financial assets with low credit risk are considered to have a low risk of default, as the borrower is still able to fulfil their contractual obligations, including in stress scenarios. These financial assets have been assessed collectively and include Alberta Central term deposits, accounts receivable, letters of credit and letters of guarantee.

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2. Significant accounting policies *(continued)*

Default

The Credit Union has defined default as any credit instrument that meets at least one of the following criteria:

- 90 or more days past due, unless other factors rebut this presumption.
- Less than 90 days past due but the Credit Union has information indicating that the member is unlikely to pay their credit obligations in full. Examples include member bankruptcy and breach in covenants.

An instrument is considered to no longer be in default when it no longer meets any of the default criteria.

Other financial assets

For assets measured at amortized cost, an impairment loss is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset held at cost is calculated as the difference between its carrying value and the present value of estimated future cash flows discounted at the current market rate of return for a similar asset.

All impairment losses are recognized in the consolidated statement of income and comprehensive income. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in the consolidated statement of income and comprehensive income. Reversals of impairments are not recognized for available-for-sale financial assets that are measured at cost.

Impairment of non-financial assets

At the end of each reporting period, the Credit Union reviews the carrying amounts of its tangible and intangible 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. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The 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.

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2. Significant accounting policies *(continued)*

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 the consolidated statement of income and comprehensive income.

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 the consolidated statement of income and comprehensive income.

Member deposits

Member deposits are initially recognized at fair value net of transaction costs directly attributable to issuance and are subsequently measured at amortized cost using the effective interest method.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are initially recorded at fair value and are subsequently carried at amortized cost, which approximates fair value due to the short term nature of these liabilities.

Member shares

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

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.

Interest income is recognized in the consolidated statement of 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. The application of the method has the effect of recognizing revenue of the financial instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

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

Commissions and fees that are considered an integral part of the effective interest rate are included in the measurement of the effective interest rate. Commissions and fees that are not an integral part of the effective interest rate, including insurance commissions and mortgage prepayment penalties are recognized as income when charged to the members.

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2. Significant accounting policies *(continued)*

Account service charges are recognized as income when charged to the members.

Income taxes

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 allows 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.

Foreign currency translation

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities reflect the exchange rates at the year end date. Translation gains and losses are recognized in the consolidated statement of income and comprehensive income for the year.

Financial instruments

Financial assets and financial liabilities, including derivatives, are recognized in the consolidated statement of financial position when the Credit Union becomes a party to the contractual provisions of a financial instrument or non-financial derivative contract. The Credit Union recognizes financial instruments at the trade date. All financial instruments are initially measured at fair value. Subsequent measurement is dependent upon the financial instrument’s classification. Transaction costs relating to financial instruments designated as fair value through profit or loss are expensed as incurred. Transaction costs for other financial instruments are capitalized on initial recognition.

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2. Significant accounting policies *(continued)*

The financial instruments classified as fair value through profit or loss are measured at fair value with unrealized gains and losses recognized in the consolidated statement of income and comprehensive income.

Upon initial recognition, financial assets are classified as amortized cost, FVOCI or 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.

- FVOCI - assets that are held for collection of contractual cash flows for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at FVOCI. 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. The Credit Union does not hold any financial assets measured at FVOCI.

- Mandatorily at FVTPL - assets that do not meet the criteria to be measured at amortized cost, or FVOCI, are measured at FVTPL. All interest income and changes in the financial assets' carrying value are recognized in profit or loss.

- Designated at FVTPL - on initial recognition, the Credit Union may irrevocably designate a financial asset to be measured at FVTPL in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss.

The Credit Union measures all equity investments at fair value. Changes in fair value are recorded in profit or loss. Equity investments measured at FVTPL include the Alberta Central shares.

Refer to *Note 1*8 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 by management. Information considered in this assessment includes stated policies and objectives and how performance of the portfolio is evaluated.

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2. Significant accounting policies *(continued)*

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.

Other financial liabilities are initially measured at fair value, then subsequently carried at amortized cost. Accounts payable and accrued liabilities and member deposits and accrued interest are classified as other financial liabilities.

De-recognition of financial assets

De-recognition of a financial asset occurs when:

- The Credit Union does not have rights to receive cash flows from the asset;
- The Credit Union has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through" arrangement; and, either:
- The Credit Union has transferred substantially all the risks and rewards of the asset, or,
- The Credit Union has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Credit Union has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred or retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent that the Credit Union’s continuing involvement in the asset, in that case, the Credit Union also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Credit Union has retained.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognized in the consolidated statement of income and comprehensive income.

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2. Significant accounting policies *(continued)*

Comprehensive income (loss)

Comprehensive income (loss) includes all changes in equity of the Credit Union, except those resulting from investments by members and distributions to members. Comprehensive income is the total of net income and other comprehensive income. Other comprehensive income comprises revenues, expenses, gains and losses that, in accordance with IFRS, require recognition, but are excluded from net income. The Credit Union does not have any items giving rise to other comprehensive income, nor is there any accumulated balance of other comprehensive income. All gains and losses, including those arising from measurement of all financial instruments, have been recognized in the consolidated statement of income and comprehensive income for the year.

New IFRS standards and interpretations not applied

Certain new standards have been published that are mandatory for the Credit Union's accounting periods beginning on or after October 31, 2023, or later periods that the Credit Union has decided not to early adopt. The impact to the Credit Union of these standards is not yet assessed.

IFRS 10 Consolidated Financial Statements

In September 2014, the IASB amended IFRS 10 Consolidated Financial Statements to address the loss of control of a subsidiary in various circumstances. These amendments are being applied prospectively to transactions occurring in annual periods on or after a date to be determined by the IASB. The Credit Union does not believe this standard will have an impact on its consolidated financial statements, as it is not anticipated that the Credit Union will lose control of its subsidiary in the foreseeable future.

Conceptual Framework

In March 2018, the IASB issued a revised Conceptual Framework for financial reporting, which includes revised definitions of an asset and a liability as well as new guidance on measurement and derecognition, presentation, and disclosure. The conceptual framework is used to develop accounting policies when no IFRS applies to a transaction.

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

In October 2018, the IASB issued amendments to *IAS 1* and *IAS 8* to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves. In December 2022, the IASB issued amendments to IAS 1 requiring entities to disclose their material accounting policy information, instead of significant accounting policies, for periods beginning on or after January 1, 2023.

3. Significant accounting judgments, estimates and assumptions

As the precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates and approximations which have been made using careful judgment. These estimates are based on management's best knowledge of current events and actions that the Credit Union may undertake in the future. The resulting accounting estimates will, by definition, seldom equal the resulted actual results, and actual results may ultimately differ from these estimates.

Allowance for impaired loans

Under the IFRS 9 model, the allowance for impaired loans is based on the expected credit loss metrics, described above. This has reduced the amount of accounting estimates required as the majority of the loan loss provisions are calculated based on the model. However, the Credit Union reviews its Stage 3 loans (the most risky) and calculates a specific loan loss provision. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss.

In estimating these cash flows, the Credit Union makes judgments about the borrower’s financial situation and the net realizable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

The impairment loss on member loans receivable is disclosed in more detail in *Note 6*.

Financial instruments not traded in active markets

For financial instruments not traded in active markets, fair values are determined using valuation techniques such as the discounted cash flow model that rely on assumptions that are based on observable active markets or rates. Certain assumptions take into consideration liquidity risk, credit risk and volatility.

Impairment of non-financial assets

At each reporting date, the Credit Union assesses whether there are any indicators of impairment for non-financial assets. Non-financial assets that have an indefinite useful life or are not subject to amortization, such as goodwill, are tested annually for impairment. Other non-financial assets are tested for impairment if there are indicators that their carrying amounts may not be recoverable.

Income taxes

The Credit Union periodically assesses its liabilities and contingencies related to income taxes for all years open to audit based on the latest information available. For matters where it is probable that an adjustment will be made, the Credit Union records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes that they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

Joint Arrangements

The Credit Union holds a 10% (2022 - 10%) proportionate ownership interest in CUSO Wealth Strategies Inc. (CUSO). The Credit Union has contractually agreed sharing of control of an agreement, which exists only when decisions about the relevent activities require the unanimous consent of the parties sharing control. Therefore, management has determined that the Credit Union is part of separate joint ventures with CUSO.

4. Cash and cash equivalents

	2023	2022
Cash held with Alberta Central, including items in transit	**$ 8,033,999**	$ 64,255,495
Cash on hand	**1,127,339**	1,352,240
	$ 9,161,338	$ 65,607,735

5. Investments

	2023	2022
Amortized cost		
Term deposits held with Alberta Central	**$155,308,161**	$ 77,099,000
Other term deposits	**78,517,123**	65,075,306
Accrued interest	**3,606,525**	893,876
	237,431,809	143,068,182
FVTPL		
Alberta Central common shares	**7,000,000**	6,477,192
CUSO Wealth Strategies Inc. common shares	**100**	100
Central 1 Credit Union common shares	**100**	-
	7,000,200	6,477,292
	244,432,009	149,545,474
Investment allowance	**(8,540)**	(7,051)
	$244,423,469	$149,538,423

As required by the Credit Union Act, the Credit Union holds investments in Alberta Central to maintain its liquidity level.

Term deposits held with Alberta Central earn interest at rates ranging from 4.06% to 5.88% per annum. The term deposit maturities range from November 2023 to October 2024.

The remaining term deposits are held with various financial institutions. Other term deposits earn interest at rates ranging from 4.68% to 5.69% per annum with maturities dates ranging from November 2023 to October 2025.

The Credit Union holds a 10% (2022 - 10%) 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. There are no significant risks encountered by CUSO in the normal course of operations. The Credit Union has not incurred any contingent or future liabilities relating to its investment in CUSO.

CUSO had assets of $297,206 (2021 - $448,973), liabilities and equity of $297,206 (2021 - $448,973), income of $607,539 (2021 - $866,394) and expenses of $692,892 (2021 - $639,345) for the year ended December 31, 2022.

There are no outstanding loans to CUSO for the years ended October 31, 2023 and 2022.

6. Member loans receivable

	Stage 1	Stage 2	Stage 3	2023 *Total*
Residential				
Mortgage	$286,922,866	$ 12,052,275	$ 1,418,725	**$300,393,866**
Term loan	-	-	-	**-**
Line of credit	6,230,935	10,135	-	**6,241,070**
	293,153,801	12,062,410	1,418,725	**306,634,936**
Commercial & Agricultural				
Mortgage	86,156,362	3,160,888	762,472	**90,079,722**
Term loan	15,762,895	18,218	401,970	**16,183,083**
Overdraft	8,427,283	174,607	65,067	**8,666,957**
Line of credit	2,672,432	-	-	**2,672,432**
	113,018,972	3,353,713	1,229,509	**117,602,194**
Consumer				
Overdraft and excess	792,028	229,910	14,312	**1,036,250**
Term loan	8,754,368	784,065	139,143	**9,677,576**
Line of credit	6,489,128	347,428	296,956	**7,133,512**
	16,035,524	1,361,403	450,411	**17,847,338**
Accrued interest	1,088,268	26,599	145,626	**1,260,493**
Gross carrying amount	423,296,565	16,804,125	3,244,271	**443,344,961**
Loss allowance	367,511	142,074	883,086	**1,392,671**
Carrying amount	$422,929,054	$ 16,662,051	$ 2,361,185	**$441,952,290**

(continues)

6. Member loans receivable *(continued)*

	Stage 1	Stage 2	Stage 3	2022 *Total*
Residential				
Mortgage	$282,274,186	$ 14,498,845	$ 2,316,756	$299,089,787
Term loan	-	-	-	-
Line of credit	8,635,637	42,855	-	8,678,492
	290,909,823	14,541,700	2,316,756	307,768,279
Commercial & Agricultural				
Mortgage	97,160,854	196,144	381,017	97,738,015
Term loan	16,750,666	50,749	357,466	17,158,881
Overdraft	6,075,628	732,737	70,296	6,878,661
Line of credit	3,032,217	-	-	3,032,217
	123,019,365	979,630	808,779	124,807,774
Consumer				
Overdraft and excess	1,484,846	64,562	6,273	1,555,681
Term loan	10,966,078	623,576	25,823	11,615,477
Line of credit	7,429,751	372,820	40,416	7,842,987
	19,880,675	1,060,958	72,512	21,014,145
Accrued interest	907,780	33,722	90,578	1,032,080
Gross carrying amount	434,717,643	16,616,010	3,288,625	454,622,278
Loss allowance	398,091	228,292	417,884	1,044,267
Carrying amount	$434,319,552	$ 16,387,718	$ 2,870,741	$453,578,011

The loss allowance recognized in the year is impacted by a variety of factors, such as:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognized during the period, as well as releases for financial instruments derecognized in the period;
- Impact on the measurement of ECL due to changes in probability of default (PD), exposure at default (EAD) and loss given default (LGD) in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis; and,
- Financial assets derecognized during the period and write-offs of allowances related to assets that were written off during the period.

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6. Member loans receivable *(continued)*

	Stage 1	Stage 2	Stage 3	**2023** ***Total***
Loss allowance				
As at November 1, 2022	$ 398,091	$ 228,292	$ 417,884	$ 1,044,267
Write-offs	$ -	$ -	$ (32,114)	$ (32,114)
Recoveries	$ -	$ -	$ 81,148	$ 81,148
Net impairment charges	$ (30,580)	$ (86,218)	$ 416,168	$ 299,370
As at October 31, 2023	**367,511**	**142,074**	**883,086**	**1,392,671**
Off balance sheet				
As at November 1, 2022	$ 84,409	$ 5,903	$ -	$ 90,312
Net impairment charges	$ (22,574)	$ 7,719	$ 1,741	$ (13,114)
As at October 31, 2023	**$ 61,835**	**$ 13,622**	**$ 1,741**	**$ 77,198**

	Stage 1	Stage 2	Stage 3	2022 *Total*
Loss allowance				
As at November 1, 2021	$ 409,541	$ 280,216	$ 1,190,113	$ 1,879,870
Write-offs	$ -	$ -	$ (808,100)	$ (808,100)
Recoveries	$ -	$ -	$ 30,428	$ 30,428
Net impairment charges	$ (11,450)	$ (51,924)	$ 5,443	$ (57,931)
As at October 31, 2022	398,091	228,292	417,884	1,044,267
Off balance sheet				
As at November 1, 2021	$ 87,324	$ 66,369	$ 111,331	$ 265,024
Net impairment charges	$ (2,915)	$ (60,466)	$ (111,331)	$ (174,712)
As at October 31, 2022	$ 84,409	$ 5,903	$ -	$ 90,312

7. Other assets

	2023	2022
Prepaid expenses	**$ 370,325**	$ 129,329
Accounts receivable	**55,203**	335,381
	$ 425,528	$ 464,710

8. Property and equipment

Cost	2022 Balance	Additions or Transfers	Disposals	2023 Balance
Land	$ 1,224,880	$ -	$ -	**$ 1,224,880**
Buildings	14,046,636	-	-	**14,046,636**
Computer equipment	1,041,727	18,371	-	**1,060,098**
Furniture and equipment	1,222,739	-	-	**1,222,739**
Security equipment	239,716	12,657	-	**252,373**
Parking lots	270,145	-	-	**270,145**
	$ 18,045,843	$ 31,028	$ -	**$ 18,076,871**

Accumulated Amortization	2022 Balance	Amortization	Accumulated Amortization on Disposals	2023 Balance
Buildings	$ 4,107,693	$ 351,635	$ -	**$ 4,459,328**
Computer equipment	749,310	111,531	-	**860,841**
Furniture and equipment	1,181,733	14,712	-	**1,196,445**
Security equipment	222,221	6,612	-	**228,833**
Parking lots	243,777	21,808	-	**265,585**
	$ 6,504,734	$ 506,298	$ -	**$ 7,011,032**

Net book value	2023	2022
Land	**$ 1,224,880**	$ 1,224,880
Buildings	**9,587,308**	9,938,943
Computer equipment	**199,257**	292,417
Furniture and equipment	**26,294**	41,006
Security equipment	**23,540**	17,495
Parking lots	**4,560**	26,368
	$ 11,065,839	$ 11,541,109

9. Derivative financial assets and liabilities

The Credit Union has entered into option agreements with Alberta Central to offset the exposure related to the performance of the underlying index on equity-linked products offered to members. The embedded derivative in the product as well as the option derivative is marked to market each year end, and amounted to $nil (2022 - $478,674) as shown on the consolidated statement of financial position. At the end of the term, the Credit Union will receive payment from Alberta Central which will offset the amount that will be paid to the members based on the performance of the underlying index of the product.

The option agreements with Alberta Central are recorded in member deposits at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the term of the products and amounted to $nil (2022 - $14,259) for the year. The balance of the option agreements included in member deposits as at year end is $nil (2022 - $2,929).

10. Intangible assets

Cost	2022 Balance	Additions	Disposals	**2023 Balance**
Intangible assets	$ 1,531,891	$ 106,927	$ 68,250	**$ 1,570,568**

Accumulated Amortization	2022 Balance	Amortization	Accumulated Amortization on Disposals	**2023 Balance**
Intangible assets	$ 698,311	$ 94,045	$ -	**$ 792,356**

Net book value	**2023**	2022
Intangible assets	**$ 778,212**	$ 833,580

11. Member deposits

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

	2023	2022
Demand deposits	**$312,536,359**	$354,445,786
Term deposits	**207,139,208**	152,793,602
Registered plans	**77,459,946**	69,488,313
	597,135,513	576,727,701
Accrued interest	**5,042,318**	1,783,692
	$602,177,831	$578,511,393

Equitable Bank is the trustee of the RRSPs, RRIFs and TFSAs offered to members. Under an agreement with Equitable Bank, members' contributions to the plans, as well as income earned, are deposited in the Credit Union.

12. Allocation distributable

The Board of Directors declared patronage allocations paid to members as cash to the members accounts and a dividend allocation to be paid to members by way of the issuance of common shares. The allocation distributable was paid after year-end and is calculated as follows:

	2023	2022
Patronage allocation payable	**$ 751,757**	$ 861,090
Allocation distributable	**620,054**	727,026
Net allocations distributable	**$ 1,371,811**	$ 1,588,116

For 2023, patronage allocations were determined based on 2.50% bonus interest on member deposit account interest (2022 - 7.00%), 3.50% interest rebate on member loan interest (2022 - 4.50%) and a 8.33% rebate on member service charges (2022 - 8.33%).

For 2023, the Board has declared a 3.00% dividend on member common shares (2022 - 3.50%).

13. Income taxes

The total provision for income taxes in the consolidated statement of income and comprehensive income is at a rate differing from the combined federal and provincial statutory income tax rates for the following reasons:

(continues)

13. Income taxes *(continued)*

	2023	2022
Combined federal and provincial statutory income tax rates	**46.00%**	46.00%
General tax reduction	**-23.00%**	-23.00%
Income taxes as reported	**23.00%**	23.00%

The tax effects of temporary differences which give rise to the deferred income tax liability reported on the consolidated statement of financial position, are due to differences between the amounts deducted for accounting and income tax purposes with regards to property and equipment, intangible assets and the loss allowance.

Net deferred income tax liabilities are comprised of the following:

	2023	2022
Loss allowance	**$ 322,278**	$ 260,953
Property and equipment and intangible assets	**(381,936)**	(390,611)
	$ (59,658)	$ (129,658)

14. Contingent liabilities and commitments

Financing

To finance short-term cash needs, the Credit Union has an operating line of credit with Alberta Central. The authorized limit on the operating demand loan is $20,000,000 CAD (2022 - $18,500,000 CAD), including a USD equivalent of $253,750 (2022 - $145,000), which is payable on demand. The CAD line of credit bears interest at Alberta Central's Canadian prime rate less 0.5% (2022 - Alberta Central's Canadian prime rate less 0.5%). The USD line of credit bears interest at the Alberta Central US prime rate plus 0.5% (2022 - Alberta Central's US prime rate plus 0.5%).

The operating line of credit avoids the need to maintain on hand large sums of cash for short-term purposes. The operating line of credit is used generally on a day-to-day basis. There is no balance outstanding as at October 31, 2023 (2022 - $nil).

To finance long-term cash needs, the Credit Union has one revolving term loan with Alberta Central. The revolving term loan has an aggregate ceiling of $34,000,000 CAD (2022 - $31,000,000 CAD), terms of 1 to 24 months for each advance, and bears interest at Alberta Central's Canadian prime rate less 1.0%.

The revolving term loan avoids the need to maintain on hand large sums of cash for liquidity purposes. There is no balance outstanding as at October 31, 2023 (2022 - $nil).

The debt with Alberta Central is secured by the following:

- Demand promissory note;
- A general security agreement;

(continues)

14. Contingent liabilities and commitments *(continued)*

- General assignment of book debts and a hypothecation of the Credit Union's shares; and,
- Investments and deposits with Alberta Central.

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, letters of credit, letters of guarantee and loan guarantees, which are not included on the consolidated statement of financial position.

Guarantees and standby letters of credit represent an irrevocable obligation to make payments to a third party in the event that the member is unable to meet its contractual financial or performance obligations. In the event of a call on such commitments, the Credit Union has recourse against the members.

Commitments to extend credit represent undertakings to make credit available in the form of loans or other financing for specific amounts and maturities, subject to certain conditions and include recently authorized credit not yet drawn down and credit facilities available on a revolving basis.

These credit arrangements are subject to the Credit Union's normal credit standards and collateral may be obtained where appropriate. The contract amounts set out below represent the maximum credit risk exposure to the Credit Union should the contracts be fully drawn, and any collateral held proves to be of no value. As many of these arrangements will expire or terminate without being drawn upon, the contract amounts do not necessarily represent the future cash requirements.

As at October 31, 2023 the Credit Union had the following amounts outstanding:

	2023	2022
Guarantees and standby letters of credit	**$ 1,581,104**	$ 1,841,789
Commitments to extend credit:		
Original term to maturity of one year or less	**29,627,423**	30,368,208
Original term to maturity of more than one year	**34,451,550**	34,871,770

15. Member shares

Authorized:

a) An unlimited number may be issued;

b) A par value of $1, but fractional shares may be issued;

c) Transferable only in restricted circumstances;

d) Non-assessable; and,

e) 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 make a minimum investment of $25 ($5 for minors and members over 65 years).

Common shares are "at risk" capital and are not guaranteed by CUDGC.

16. Pension plan

The Credit Union has a defined contribution pension plan for qualifying employees. The assets are held in trust by the CUMIS Life Insurance Company and are not recorded in these financial statements. The Credit Union matches employee contributions at a rate ranging from 3% to 9% of the employee's salary determined by years of employment. The expense and payments for the year ended October 31, 2023 were $328,612 (2022 - $282,472). As a defined contribution pension plan, the Credit Union has no further liability or obligation for future contributions to fund future benefits to plan members.

17. Capital management

The Credit Union's objectives when managing capital are:

- 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,
- To comply at all times with the capital requirements set out in the Credit Union Act of Alberta (the Act). The Credit Union complied with these capital requirements throughout the year ending October 31, 2023.

The Credit Union is required under the Act to hold total capital equal to or exceeding the greater of:

- 4% of total assets. As at October 31, 2023, this amounted to $28,312,267;
- 8% of risk weighted assets. Under this method, the Credit Union reviews each loan and other assets and assigns a risk weighting using definitions and formulas set out in the Act. The more risk associated with an asset, then the higher the assigned weighting. The balance of each asset is multiplied by the risk weighting with the result then added together. 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. As at October 31, 2023, this amounted to $19,906,454.

  Additionally, the Credit Union is required to have a regulatory capital buffer of 3.5% of risk weighted assets for the year ended October 31, 2023. Further to this requirement, the Credit Union is expected to hold a self-identified internal buffer of no less than 2% of risk weighted assets. As at October 31, 2023, the Credit Union exceeds all capital requirements and holds total capital of 41.32% of risk weighted assets.

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

- Establishing policies for capital management, monitoring and reporting;
- Establishing policies for related areas such as asset liability management;
- Reporting to the Board of Directors and the Finance, Audit & Risk Committee regarding financial results and capital adequacy;
- Reporting to CUDGC on its capital adequacy; and,
- Establishing budgets and reporting variances to those budgets.

(continues)

17. Capital management *(continued)*

Under the Act, total capital as at October 31, 2023 includes:

	2023	2022
Retained earnings	**$ 81,751,510**	$ 79,608,902
Member shares	**20,576,067**	20,671,836
Dividends payable	**620,054**	727,026
Investment allowance	**8,540**	7,051
Loss allowance	**585,042**	716,695
Deferred tax	**59,658**	129,658
Intangible assets	**(778,212)**	(833,580)
	$102,822,659	$101,027,588

Therefore, the Credit Union has exceeded its minimum capital requirements at October 31, 2023.

18. Financial instruments risk management

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, foreign currency risk and liquidity risk.

The Credit Union, as part of operations, has established avoidance of undue concentrations of risk and requirements for collateral to mitigate credit risk as risk management objectives. In seeking to meet these objectives, the Credit Union follows a risk management policy approved by its Board of Directors.

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

a) Ensuring all activities are consistent with the mission, vision and values of the Credit Union;

b) Balancing risk and return by:

- Managing credit, market and liquidity risk through preventative and detective controls;
- Ensuring credit quality is maintained;
- Ensuring credit, market, and liquidity risk is maintained at acceptable levels;
- Diversifying risk in transactions, member relationships and loan portfolios;
- Pricing according to risk taken; and,
- Using consistent credit risk exposure tools.

Various Board of Directors committees are involved in financial instrument risk management oversight, including the Finance, Audit, & Risk Committee. The risk policies, procedures and objectives have not changed materially from the prior year.

Credit risk

Credit risk is the risk of a financial loss in the event of failure by a borrower to completely honour its financial obligation to the Credit Union, such as interest and/or principal payments due on member loans. Credit risk arises principally as a result of the Credit Union’s lending activities with members.

(continues)

18. Financial instruments risk management *(continued)*

Management and the Board of Directors review and update the credit risk policy annually. The Credit Union's maximum credit risk exposure before taking into account any collateral held is the carrying amount of loans as disclosed on the consolidated statement of financial position. See *Note* 6 for further information.

Concentration of credit risk exists if a number of borrowers are engaged in similar economic activities or are 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 Bonnyville, Cold Lake, and surrounding areas.

Credit risk management

The Credit Union uses a risk management process for its credit portfolio. The risk management process starts at the time of a member credit application and continues until the loan is fully repaid. Management of credit risk is established in policies and procedures by the Board of Directors.

The primary credit risk management policies and procedures include the following:

a) Loan security (collateral) requirements;
b) Security valuation processes, including methods used to determine the value of real property and personal property when that property is subject to a mortgage or other charge;
c) Maximum loan to value ratios where a mortgage or other charge on real or personal property is taken as security;
d) Borrowing member capacity (repayment ability) requirements;
e) Borrowing member character requirements;
f) Limits on aggregate credit exposure per individual and/or related parties;
g) Limits on concentration to credit risk by loan type, industry and economic sector;
h) Limits on types of credit facilities and services offered;
i) Internal loan approval processes;
j) Loan documentation standards;
k) Loan re-negotiation, extension and renewal processes;
l) Processes that identify adverse situations and trends, including risks associated with economic, geographic and industry sectors;
m) Control and monitoring processes including portfolio risk identification and delinquency tolerances;
n) Timely loan analysis processes to identify, assess and manage delinquent and impaired loans;
o) Collection processes that include action plans for deteriorating loans;
p) Overdraft control and administration processes; and,
q) Loan syndication processes.

(continues)

18. Financial instruments risk management *(continued)*

The measurement of ECL under IFRS 9 uses the information and approaches that the Credit Union uses to manage credit risk, though certain adjustments are made in order to comply with the requirements of IFRS 9. The approach taken for IFRS 9 measurement purposes is discussed below.

Expected credit loss measurement

A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information.

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

- Stage 1 - on initial recognition, 12-month expected credit losses are recognized in profit or loss and a loss allowance is established;
- Stage 2 - if credit risk increases significantly and the resulting credit risk is not considered to be low, full lifetime expected credit losses are recognized; and,
- Stage 3 - when a financial asset is considered credit-impaired, interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than its gross carrying amount.

Financial instruments in Stage 1 have their ECL measured at an amount equal to the ECLs that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECLs measured based on ECLs on a lifetime basis.

The key judgments and assumptions adopted by the Credit Union in addressing the requirements of the standard are discussed below.

Significant increase in credit risk

The assessment of significant increase in credit risk (SICR) incorporates forward-looking information and is performed on a quarterly basis at a portfolio level for all instruments held by the Credit Union. A watch list is used to monitor credit risk; this assessment is performed at the counterparty level and on a periodic basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by management.

The Credit Union considers a financial instrument to have experienced a SICR when one or more of the following quantitative or qualitative criteria have been met:

- Contractual cash flow obligations are more than 90 days past due;
- Adverse changes in the borrowers situation indicates its inability to fulfill contractual obligations (ie. significant deterioration in credit score or risk ratings, adverse financial or economic conditions, early signs of cash flow/liquidity problems);
- A significant change in collateral value which is expected to increase the risk of default; and,
- Forward looking information indicate that the ability of the borrower to fulfill its contractual cash flow obligations will be reduced.

The Credit Union has not used the low credit risk exemption for any financial instruments in the year ended October 31, 2023.

(continues)

18. Financial instruments risk management *(continued)*

Measuring ECL - explanation of inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month or lifetime basis depending on whether a SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECLs are the discounted product of the PD, EAD and LGD, defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months or over the remaining lifetime of the obligation.
- EAD is based on the amounts the Credit Union expects to be owed at the time of default, over the next 12 months or over the remaining lifetime. For example, for a revolving commitment, the Credit Union includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- LGD represents the Credit Union's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of EAD. LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be incurred if the default occurs in the next 12 months and lifetime LGD is the percentage of loss expected to be incurred if the default occurs the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (ie. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity to the current 12-month PD. The maturity profile looks at how defaults develop into a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type:

- For amortizing products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis.
- For revolving products, the EAD is predicted by taking current drawn balance and adding a credit conversion factor, which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilization band, based on the analysis of the Credit Union's recent default data.

The 12-month and lifetime LGDs are determined based on the factors, which impact the recoveries made post default. These vary by product type:

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and expected recovery costs.

(continues)

18. Financial instruments risk management *(continued)*

- For unsecured products, LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGDs are influenced by collection strategies.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type.

The assumptions underlying the ECL calculation, such as how the maturity profile of the PDs and how collateral values change, etc., are monitored and reviewed on a quarterly basis.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Credit Union has performed historical analysis, identified the key economic variables impacting credit risk, and ECLs for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (the "base case scenario") are based on the consideration of a variety of external, actual and forecast information that allows the Credit Union to formulate a base case view of the future direction of relevant economics variables as well as representative range of other possible forecast scenarios. This process involves developing two more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by government bodies and the Bank of Canada, forecasts by Canadian banks and financial institutions and other selected private-sector and academic forecasters.

The base case represents a most-likely outcome and is aligned with information used by the Credit Union for other purposes such as budgeting and strategic planning. The other scenarios represent more optimistic and more pessimistic outcomes. At October 31, 2023, the Credit Union concluded that three scenarios appropriately captured non-linearities. The scenario weightings are determined by a combination of statistical analysis and expert credit judgment, taking account of the range of possible outcomes each chosen scenario is representative of. The assessment of SICR is performed using the lifetime PD under each of the scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators. This determines whether the whole financial instrument is in Stage 1, Stage 2 or Stage 3 and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, the Credit Union measures ECL as either a probability weighted 12-month ECL (Stage 1) or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting, as opposed to weighting the inputs.

As with an economic forecast, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Credit Union considers these forecasts to represents its best estimate of the possible outcomes and has analyzed the non-linearities and asymmetries within the Credit Union's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

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18. Financial instruments risk management *(continued)*

Sensitivity analysis

The most significant assumptions affecting the ECL allowance are as follows:

Consumer and residential mortgages

- House price index as it has significant impact on the mortgage collateral valuation; and,
- Unemployment rate as it impacts on the borrowers ability to meet their contractual repayments.

Commercial

- Vacancy increases as it has significant impact on performance and collateral valuations; and,
- Capitalization rates as it has an impact on the companies' likelihood of default.

Collateral and other credit enhancements

The Credit Union employs a range of policies to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Credit Union has internal policies on the acceptability of specific classes of collateral or credit risk mitigation.

The Credit Union prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Mortgage insurance over residential properties;
- Charges against chattels;
- Charges over business assets such as premises, inventory and accounts receivable; and,
- Charges over financial instruments such as debt securities.

Longer term finance and lending to corporate entities are generally secured; revolving individual credit facilities are either secured or unsecured.

The Credit Union's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Credit Union since the prior period.

Market risk

Market risk is the risk of a 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.

Fair value risk

Fair value risk is the potential for loss from an adverse movement in the value of a financial instrument. The Credit Union incurs fair value risk on its loans and deposits held. The Credit Union does not hedge its fair value risk.

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18. Financial instruments risk management *(continued)*

The amounts are designed to approximate the fair values of the Credit Union's financial instruments using the valuation methods and assumptions described below. Since many of the Credit Union's financial instruments lack an available trading market, the fair values represent estimates of the current market value of instruments, taking into account changes in market rates that have occurred since their origination. Due to the estimation process and the need to use judgment, the aggregate fair value amounts should not be interpreted as being necessarily realizable in an immediate settlement of the instruments.

Fair values have not been determined for property and equipment or any other asset or liability that is not a financial instrument. The fair value of cash, variable rate loans and deposits, and accounts payable and accrued liabilities are assumed to equal their book values due to their short term nature. The fair values of fixed rate loans and deposits are determined by discounting the expected future cash flows at the estimated current market rates for loans and deposits with similar characteristics.

The following methods and assumptions were used to estimate the fair value of financial instruments:

a) The fair values of cash and cash equivalents, short-term investments, other assets and other liabilities are assumed to approximate book values, due to their short-term nature.
b) The estimated fair value of floating rate investments, member loans and member deposits are assumed to equal book value as the interest rates automatically reprice to market.
c) The estimated fair value of fixed rate member loans and fixed rate member deposits is determined by discounting the expected future cash flows of these loans and deposits at current market rates for products with similar terms and credit risks.

Estimated fair values of financial instruments are summarized as follows:

			2023	2022
	Book Value	Fair Value	**Fair Value Difference**	Fair Value Difference
Assets				
Cash	$ 9,161,338	$ 9,161,338	**$ -**	-
Investments	244,423,469	244,599,690	**176,221**	(445,888)
Member loans	441,952,290	418,706,071	**(23,246,219)**	(24,579,475)
Other assets	12,269,579	12,269,579	**-**	-
Less:				
Liabilities				
Member deposits	602,177,831	591,032,591	**11,145,240**	13,052,905
Other liabilities	2,681,214	2,681,214	**-**	-
	$ 102,947,631	91,022,873	**(11,924,758)**	(11,972,458)

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18. Financial instruments risk management *(continued)*

Fair value measurements

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

- Level 1: Quoted prices (unadjusted) are available in active markets for identical asset 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 in which there is little or no market data, which require the Credit Union to develop its own assumptions.

The carrying value of cash and cash equivalents approximate their fair value as they are short term in nature or are receivable on demand. Member loans and member deposits have been classified as Level 2 as fair values are primarily due to change in interest rates. There have been no transfers between Level 1 and 2 during the year.

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

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. The Credit Union incurs interest rate risk on its loans and other interest bearing financial instruments.

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18. Financial instruments risk management *(continued)*

As at October 31, 2023	Floating Rate	0-3 Months	3-6 Months	6-12 Months	More Than 1 Year	Non Interest Sensitive	Total
($Thousands)							
Assets							
Cash	$ 1,118	-	-	-	-	8,043	**9,161**
Effective yield (%)	*4.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	***0.49%***
Investments	-	131,460	21,188	60,677	20,500	10,598	**244,423**
Effective yield (%)	*0.00%*	*5.07%*	*4.71%*	*5.27%*	*5.44%*	*0.00%*	***4.90%***
Members' loans	38,747	40,125	17,581	65,675	279,956	(131)	**441,953**
Effective yield (%)	*8.01%*	*3.78%*	*3.54%*	*3.64%*	*3.36%*	*0.00%*	***3.86%***
Other assets	-	-	-	-	-	12,270	**12,270**
	39,865	171,585	38,769	126,352	300,456	30,780	**707,807**
Liabilities and Equity							
Members' deposits	$ 282,820	36,486	53,538	113,613	71,588	44,133	**602,178**
Effective yield (%)	*0.94%*	*3.97%*	*4.02%*	*4.73%*	*4.85%*	*0.00%*	***2.51%***
Other liabilities						2,681	**2,681**
Equity						102,948	**102,948**
	282,820	36,486	53,538	113,613	71,588	149,762	**707,807**
Net 2023 position	$ (242,955)	135,099	(14,769)	12,739	228,868	(118,982)	**-**

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18. Financial instruments risk management *(continued)*

As at October 31, 2022	Floating Rate	0-3 Months	3-6 Months	6-12 Months	More Than 1 Year	Non Interest Sensitive	Total
($Thousands)							
Assets							
Cash	$ 61,731	-	-	-	-	3,877	65,608
Effective yield (%)	*2.49%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*2.35%*
Investments	-	62,477	17,056	52,641	10,000	7,364	149,538
Effective yield (%)	*0.00%*	*3.30%*	*2.61%*	*3.48%*	*4.98%*	*0.00%*	*3.26%*
Members' loans	49,465	29,082	15,808	49,054	310,178	(9)	453,578
Effective yield (%)	*6.85%*	*3.66%*	*3.68%*	*3.66%*	*2.93%*	*0.00%*	*3.51%*
Other assets	-	-	-	-	-	13,313	13,313
	111,196	91,559	32,864	101,695	320,178	24,545	682,037
Liabilities and Equity							
Members' deposits	$ 331,870	13,474	21,596	128,012	45,312	38,247	578,511
Effective yield (%)	*0.83%*	*0.91%*	*1.88%*	*2.71%*	*2.96%*	*0.00%*	*1.40%*
Other liabilities	-	-	-	-	-	2,518	2,518
Equity	-	-	-	-	-	101,008	101,008
	331,870	13,474	21,596	128,012	45,312	141,773	682,037
Net 2022 position	$ (220,674)	78,085	11,268	(26,317)	274,866	(117,228)	-

Foreign currency risk

Foreign currency risk exposure results if financial assets or financial liabilities are denominated in a currency other than Canadian dollars. The Credit Union holds USD. The balances held are relatively low therefore the currency risk is low. The Credit Union follows a policy of holding US dollars in an amount slightly below the US dollar deposit account levels. These levels are monitored and recorded daily. The buy and sell rates are also monitored and recorded daily. Excess US cash holdings are converted into Canadian funds.

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18. Financial instruments risk management *(continued)*

Liquidity risk

Liquidity risk is the risk that the Credit Union will not be able to pay obligations when they fall due or not be able to repay depositors when funds are withdrawn. To mitigate this risk, the Act requires that the Credit Union maintain, at all times liquidity that is adequate in relation to the business carried on. The Credit Union calculates its liquidity position on a monthly basis to assess compliance with statutory and mandatory liquidity requirements. These balances are communicated to the Board of Directors regularly throughout the year. The Credit Union manages liquidity by continuously monitoring actual daily cash flows, monitoring the maturity dates of financial assets and financial liabilities, and maintaining adequate cash reserves.

The Act requires credit unions to maintain eligible assets for adequate liquidity. Assets held by the Credit Union for such purposes are outlined below:

	2023	2022
Alberta Central statutory investment	**$ 48,000,000**	$ 45,000,000
Alberta Central common shares	**7,000,000**	6,477,192
Total assets held for liquidity	**$ 55,000,000**	$ 51,477,192

19. Director and officer indemnification

The Credit Union indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Credit Union to the extent permitted by law.

20. Related party transactions

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 members of management responsible for the day-to-day financial and operational management of the Credit Union.

Loans made to KMP are approved under the same lending criteria applicable to members. KMP may receive concessional rates of interest on their loans and facilities. These benefits are subject to tax with the total value of the benefit included in the compensation figures below.

There are no loans that are impaired in relation to loan balances with KMP or directors.

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

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20. Related party transactions *(continued)*

At year end, the total value of loans outstanding to KMP and member deposits from KMP amounted to:

	2023	2022
Aggregate of loans and revolving credit facilities to KMP	**$ 8,338,541**	$ 7,722,540
Aggregate of deposits from KMP	**2,695,533**	2,545,706

During the year, the interest earned on loans and interest paid on deposits for KMP amounted to:

	2023	2022
Interest and other revenue earned on loans to KMP	**$ 243,199**	$ 198,959
Interest paid on deposits to KMP	**21,638**	6,977

During the year, the aggregate compensation of KMP amounted to:

	2023	2022
Salary, bonuses and short term benefits	**$ 2,640,747**	$ 1,517,916

Transactions with the Board of Directors, committee members, management and staff are at terms and conditions as set out in the loan policies of the company.

Payments made for honoraria and per diems amounted to $68,150 (2022 - $80,025) and reimbursement of expenses amounted to $57,280 (2022 - $58,990). Amounts paid to directors ranged from $1,437 to $19,648 with an average of $7,062.

The Credit Union Deposit Guarantee Corporation

CUDGC was incorporated for the purpose of protecting the members of credit unions from financial loss in respect of their deposits with credit unions and to establish sound procedures and controls for credit unions. CUDGC provides a safeguard for all savings and deposits of members of Alberta credit unions.

Transactions with the CUDGC included assessments of $297,491 (2022 - $279,992) and are recorded as member security expense in the consolidated statement of income and comprehensive income. There was $75,257 (2022 - $71,230) included in accounts payable and accrued liabilities at year end.

The Credit Union Central Alberta Limited

The company is a member of the Alberta Central which acts as a depository for surplus funds, and makes loans to credit unions. Alberta Central also provides other services for a fee to the Credit Union and acts in an advisory capacity.

Transactions with Alberta Central included income earned on investments referred to in *Note 5* in the amount of $7,000,000 (2022 - $6,477,192), and fees assessed by Alberta Central which include annual affiliation dues in the amount of $151,273 (2022 - $149,114) recorded as organization expense in the consolidated statement of income and comprehensive income.

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20. Related party transactions *(continued)*

Celero Solutions

The company has entered into an agreement with Celero Solutions to provide the maintenance of the infrastructure needed to ensure uninterrupted delivery of such banking services.

Celero Solutions is a company formed as a joint venture by the Credit Union Centrals of Alberta, Manitoba, and Saskatchewan.

21. Comparative figures

Some of the comparative figures have been reclassified to conform to the current year's presentation. The reclassification of certain balances has no impact on retained earnings.