ANNUAL REPORT
2023

CREDIT UNION
ATLANTIC EDGE

Vision, Mission and Table of Contents

Our Mission

At Atlantic Edge Credit Union, we empower people and communities by providing financial services and advice built on honesty, fairness, and trust.

Our Vision

Growing Stronger Together

Table of Contents

Management and Staff

Corporate Office

Cory Munden
- *Chief Executive Officer*

Shanti Samaroo
- *Chief Financial Officer*

Cynthia Strickland
- *Chief Operating Officer*

Jamie LeBoubon
- *Regional Manager Branch Operations*

Geneva Taylor
- *Regional Manager Branch Operations*

Trudy Skinner-Keeping
- *Manager of Commercial Services*

Dion Jackson
- *Manager of Retail Services*

Candace Matthews
- *Manager of Member Experience & Communications*

Claire Lessel
- *Manager of Human Resources*

Sherry O'Brien
- *Accounting Manager*

Sandra Pye
- *Risk and Compliance Manager/CAMLO*

Katherine Easton
- *Human Resources Administrator*

Samantha Ploughman
- *Income Tax Program Manager*

Angela Dyke
- *Special Projects Manager*

Jayasankar Vattathoor
- *Financial Analyst*

Luke Simms
- *Manager of Information Technology*

Brittany Bromley
- *IT Specialist*

Samantha O'Brien
- *Commercial Services Officer*

Cindy Perry
- *Collections Officer*

Amanda Lee
- *Commercial Services Administrator*

Deena Eddison
- *Commercial Services Officer*

Haseeb Ahmad
- *Product and Data Specialist*

Jody King
- *Clearing Services Administrator*

Muhammad Umair
- *Accounting Specialist*

Elaine Ingram
- *Payroll and Benefits Administrator*

Janine Faulkner
- *Risk and Compliance Officer*

Vanessa Elms
- *Risk and Compliance Administrator*

Bernadette Normore
- *Risk and Compliance Assistant*

Lydia Francis
- *Executive Assistant*

Kaylee Sullivan
- *Community Impact and Engagement Specialist*

Sally Mouland
- *Retail Services Administrator*

Danielle Donnelly
- *Marketing Specialist*

Jessica Sellars
- *Marketing Specialist*

Jeanette Yetman
- *Internal Auditor*

Brenda McCarthy
- *Operations Specialist*

Lucinda Lee
- *Member Services Administrator*

Courtney Guy
- *Accounts Payable Officer*

Gus Rumbolt
- *Facilities Technician & Courier*

Sophia Munden
- *Marketing & Communications Assistant - Student*

Mariya Nettikadan Thomas
- *Accounting Specialist*

Happy Valley-Goose Bay

MaryJane Hudson-Cabot
- *Branch Manager*

Jagdeep Kaur
- *FSR II*

Jenine White
- *FSR II*

Rupinder Deol
- *FSR*

Selena Randell
- *FSR*

Cristina Anastacio
- *FSR*

Management and Staff

Mary's Harbour

Jacqueline Rumbolt
- *Branch Manager*

Deanne Rumbolt
- *FSR II*

Nicole Rumbolt
- *FSR*

Carla Rumbolt
- *FSR*

Danielle Pye
- *FSR (Casual)*

L'Anse au Loup

Michelle Rumbolt
- *FSR*

Colette Russell
- *FSR*

Valerie Layden
- *FSR*

Aneesa Singh
- *FSR (Casual)*

Hillary Roberts
- *FSR (Casual)*

St. Anthony

Beverly Patey
- *Branch Manager*

Cheryl Patey
- *FSR II*

Janet Elliott
- *FSR*

Susan Pearce
- *FSR*

Bonnie Hedderson
- *FSR (Casual)*

Port Saunders

Carolyn Chambers
- *Branch Manager*

Candace Rose
- *FSR II*

Corena Noel
- *FSR*

Natalie Young
- *FSR*

Gizelle Biggin
- *FSR I (Casual)*

Sonya Ryan Gould
- *Tax Associate (Seasonal)*

Deer Lake

Shauna Warren
- *Branch Manager*

Thejo Vaidyanathan
- *FSO*

Crystal Feltham
- *FSR II*

Andrew Crocker
- *FSR*

Jennifer Gale
- *FSR (Casual)*

JoAnn Gossney
- *Tax Associate (Seasonal)*

Corner Brook

Don Rideout
- *Branch Manager*

Mindy Gillingham
- *FSO*

Roxanne Jacobs
- *FSO*

Holley Simmonds
- *FSR II*

Sylvia Hynes
- *FSR*

Grace Payne
- *FSR (Casual)*

Brian Stone
- *Tax Associate (Seasonal)*

St. George's

Leonard Hann
- *Branch Manager*

Jocelyn Butt
- *FSR*

Aileen Lushman
- *FSR*

Joy Tilli
- *FSR*

Tracy Alexander
- *FSR (Casual)*

Valerie Pittman
- *FSR (Casual)*

Jeffrey's

Rhoda Pumphrey
- *Branch Manager*

Kara Gale
- *FSR/Tax Associate*

April-Dawn Smith
- *FSO*

Charlye Brake
- *FSR*

Tracy Alexander
- *FSR (Casual)*

Shana Ward
- *FSR (Casual)*

Melanie Hulan-Legge
- *FSR (Casual)*

Doyles

Tracy Keeping
- *Branch Manager*

Terryl McArthur
- *FSO*

Arthena Keeping
- *FSR*

Brooke Samms
- *FSR*

Dale Lomond
- *FSR (Casual)*

Selma Kilpatrick
- *FSR (Casual)*

Bruce Samms
- *Tax Associate (Seasonal)*

Port aux Basques

Lisa Purchase
- *Branch Manager*

Martina MacDonald
- *FSO*

Kelly Thorne
- *FSO*

Danielle Spencer
- *FSR*

Marina O'Keefe
- *FSR*

Elaine Vautier
- *FSR*

Michele MacLean
- *Tax Associate (Seasonal)*

Management and Staff

Gander

Cindy Collins
- *Branch Manager*

Dale Walker
- *FSO*

Nancy Jensen
- *FSO*

Cathy Maloney
- *FSR*

Cherie Mercer
- *FSR*

Maxine Wheeler
- *FSR (Casual)*

Triton

Kelly Vincent
- *Branch Manager*

Sandy Winsor
- *FSO*

Brenda Winsor
- *FSR*

Renee Roberts
- *FSR*

Verena Fudge
- *FSR (Casual)*

Carmanville

Tina Hodder
- *Branch Manager*

Leona Russell
- *FSR*

Elisa Prada
- *FSR*

Claudine Mouland
- *FSR (Casual)*

Mount Pearl

Darlene Jackman
- *Branch Manager*

Jean Eddy
- *FSO*

Carol Ann Renouf
- *FSO*

Kathy Scott
- *FSR*

Joanne Thomas
- *FSR*

> **I know the price of success:**
> **dedication, hard work and an unremitting devotion**
> **to the things you want to see happen.**
>
> *~ Frank Lloyd Wright ~*

Board of Directors and Committees

Board of Directors

Daniel Sheaves, Chairperson
Paul Summers, Vice-Chair
Bert Belben, Vice-Chair
Dave Evans, Director
Paul Newman, Director
Ginger Ryland, Director
Rebecca Bell, Director
Tony Leamon, Director
Gary O'Brien, Director
Orvin Roberts, Director

Review Committee

Paul Newman, Chair
Tony Leamon, Director
Gary O'Brien, Director
Orvin Roberts, Director

Lending Committee

Cory Munden, Chair
Shanti Samaroo, Employee
Trudy Skinner-Keeping, Employee
Jamie LeBoubon, Employee
Geneva Taylor, Employee
Roger Hardy, Employee (Jan-Jun)

Governance Committee

Paul Summers, Chair
Ginger Ryland, Director
Dave Evans, Director
Paul Newman, Director

Community Impact Committee

Dave Evans, Chair
Rebecca Bell, Director
Ginger Ryland, Director
Tony Leaman, Director

Co-operative Principles and Values

Seven Co-operative Principles

These seven principles are founded in the philosophy of co-operation and its central values of equality, equity and mutual self-help. They express, around the world, the principles of human development and through people working together to achieve a better life for themselves and their community.

1. Voluntary and Open Membership

Credit unions are voluntary, co-operative organizations, offering services to people willing to accept the responsibilities and benefits of membership, without gender, social, racial, political or religious discrimination.

Like credit unions, many co-operatives operate as profit for purpose institutions with volunteer Boards of Directors. In the case of credit unions, directors are elected from and by the membership.

2. Democratic Member Control

Co-operatives are democratic organizations; owned and controlled by their members, one member one vote, with equal opportunity for participation in setting policies and making decisions.

3. Member Economic Participation

Members are the owners. As such, they contribute to, and democratically control, the capital of the co-operative. This benefits members in proportion to their transactions with the co-operative rather than on the capital invested.

Credit unions typically offer better rates, fees and service than for-profit financial institutions, and their members recognize benefits in proportion to the extent of their financial transactions and general usage.

4. Autonomy and Independence

Co-operatives are autonomous, self-help organizations controlled by their members. If the co-operative enters into agreements with other organizations or raises capital from external sources, it is done so based on terms that ensure democratic control by the members and maintains the co-operative autonomy.

5. Education, Training and Information

Co-operatives provide education and training for members, elected representatives, managers and employees so they can contribute effectively to the development of the co-operative.

Credit unions place particular importance on educational opportunities for their volunteer directors, and financial education for their members and the public, especially the nation's youth. Credit unions also recognize the importance of ensuring the general public and policy makers are informed about the nature, structure and benefits of co-operatives.

6. Co-operation Among Co-operatives

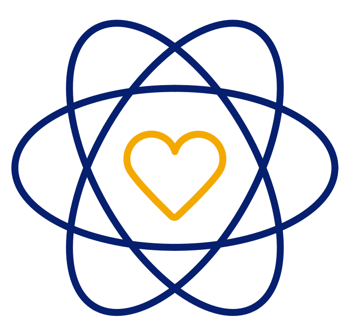
Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, provincial, regional, national, and international structures.

7. Concern for Community

While focusing on member needs, co-operatives work for the sustainable development of communities, including people of modest means, through policies developed and accepted by their members.

Co-operative Values

The International Co-operative Alliance (ICA) has a set of values that help govern all decisions in co-operatives. According to the ICA, co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.



Special Recognition

5 YEARS
Michelle Rumbolt
Branch Manager

5 YEARS
Charlotte Taylor
Community Impact Specialist

10 YEARS
April-Dawn Smith
Financial Services Officer

10 YEARS
Elaine Vautier
Financial Services Representative

10 YEARS
Shanti Samaroo
Chief Financial Officer

10 YEARS
Janet Willis
Board of Director

15 YEARS
Martina MacDonald
Financial Services Officer

15 YEARS
Melanie Hulan-Legge
Financial Services Officer

Special Recognition

15 YEARS
Roxanne Jacobs
Financial Services Officer

15 YEARS
Trudy Skinner-Keeping
Manager of Commercial Services

20 YEARS
Holly Simmonds
Financial Services Representative II

20 YEARS
Lisa Purchase
Branch Manager

20 YEARS
Roger Hardy
Retired

20 YEARS
Gary O'Brien
Board of Director

30 YEARS
Beverly Patey
Branch Manager

30 YEARS
Rhoda Pumphrey
Branch Manager

Community Impact 2023 Highlights

Community Grant Program

Recipients were awarded a combined total of **$22,500** for their community efforts, with **13 Recipients**

We had **35 applications received**, with **plans to continue into 2024**

Grant Categories:
- Youth Connection
- Community Change Maker
- Small Business Change Champion

13 Projects Supported

Community Enhancement Fund

The Community Enhancement Fund is a 50/50-style community fundraiser designed to partner with local organizations to raise money for important community projects. This program began on January 6th for three of our branches: Corner Brook, Jeffrey's and Doyles. Other branches began onboarding throughout 2023, with a total of nine of our branches actively participating by December 31, 2023. We were able to raise over $18,600 in 2023 and donate over $10,000 of those funds back to our communities with the remainder of the funds earmarked for projects in 2024. Some of the initiatives and organizations supported included Warm Coats for Kids, the SPCA, the Salvation Army Food Bank, and a number of regional hospital foundations.

Community Impact Committee Report (con't)

Growing our Future

$19,099 In interest savings in support of co-operative daycare centre.

$7,400 in scholarships for 2023

$5,000 donated to Kids Eat Smart Foundation

$109,020 Forfeited revenue from the free account packages offered to **552 community organizations.**

2300 **Employee volunteer** hours made through personal and work-supported time.

$46,774 MONETARY VALUE

79 Total Organizations

WARM COATS FOR KIDS

288 coats purchased. **$13,590** program cost.
1531 coats purchased and donated since 2018.

EOTO
Each One. Teach One.
23 Workshops Delivered

$25,000 Total **Donations & Sponsorships** to local **Community Organizations.**

FOOD BANK **$3,600** DONATED

Did you know?
There are over **15,000** small businesses in Newfoundland and Labrador.

Did you know?
98% of all businesses in Atlantic Canada are small businesses.

BUYING Local IS BUILDING LOCAL

$6,000+ INVESTED Empowered staff with **$50** in spending to support local businesses.

Community Impact Committee Report (con't)

Community Impact Committee Report (con't)

You'll always be ahead
when you've got someone behind you.

CU Financial Management
PLAN | INVEST | PROTECT

At the credit union, you'll find all the wealth management solutions you need, from a partner you can depend on. Let us help you grow and protect your wealth with a strategy that's right for you.

Don't live near one of our offices?
Our team of expert advisors serve members across Newfoundland and Labrador virtually and plan travel throughout the province for those who prefer to meet in person.

We partner with 12 Atlantic Credit Unions, who constantly seek to add quality products, services, and convenience to members' lives. Your Credit Union is pleased to provide access to CU Financial Management Ltd, Credential Securities services, and Credential Asset Management Inc.

At CU Financial Management, our experienced advisors are here to help members achieve the goals that matter most – wherever they may be in their financial journey. We are a homegrown, Atlantic Canadian financial planning firm where the community comes first. We ensure all investments go further – benefitting the member while providing social and environmental good.

Our dedicated team has provided investment counsel and wealth planning services to individuals and institutions in our community for many years. Our advisors through Credential Securities will work with you to fully understand your goals, investment objectives, risk tolerance, investment time horizon, significant life changes and tax considerations, among several other factors.

Together, we can redefine your future. Don't hesitate to contact us to find out more information.

Financial Planning
A good financial plan serves as a guide for your income, expenses and investments so you can manage your money and achieve your goals.

Investment & Retirement Planning
It's important to plan for your future today, this includes implementing a solid savings plan and managing your assets.

Insurance Planning
Insurance is a form of risk management and is a vital piece in your financial plan.

Life | Health | Critical Illness | Disability

Estate & Legacy Planning
Our advisors work with you to develop a comprehensive plan that reflects your wishes, protecting your assets and your loved ones.

Learn more and book an appointment at cufm.ca

Mutual funds, other securities, and securities related financial planning services are offered through Credential Securities, a division of Credential Qtrade Securities Inc. Credential Securities is a registered mark owned by Aviso Wealth Inc. Financial planning services are available only from advisors who hold financial planning accreditation from applicable regulatory authorities. Mutual funds and related financial planning services are offered through Credential Asset Management Inc.

CU Financial Management Ltd. is wholly owned by Brunswick Credit Union Ltd, Community Credit Union of Cumberland Colchester Ltd, East Coast Credit Union Ltd, Valley Credit Union, Consolidated Credit Union Ltd, Provincial Credit Union Ltd, Souris Credit Union Ltd, Atlantic Edge Credit Union Ltd, Community Credit Union Ltd, Public Service Credit Union Ltd, Reddy Kilowatt Credit Union Ltd and Credit Union Atlantic Ltd.

Group Home and Auto

Stronger together: Atlantic Edge Credit Union and Co-operators

We're proud to partner with Co-operators, a trusted Canadian organization that shares Atlantic Edge's values. Our unique partnership provides the protection you need to keep what matters safe and gives you the peace of mind you deserve.

Discover the co-operative difference

Co-operators was founded in 1945 by a group of farmers, credit union leaders and social pioneers wanting to care for themselves and their communities, at a time when traditional insurers couldn't meet their needs.

Their business decisions are guided by global co-operative principles, so the need for profitability is balanced with the needs of members and their communities. Making people a priority and taking a long-term view of business decisions make Co-operators fundamentally different from most insurance companies.

The company's co-op values inspire a unique insurance experience that puts clients first and works to meet their needs.

Switch to Co-operators and save up to 40%* on home and auto insurance.

Protect what's important with comprehensive coverage

Through our partnership with Co-operators, members of Atlantic Edge Credit Union can take advantage of expanded coverage on home and auto insurance at exclusive rates. You'll enjoy reliable protection, exceptional service, great savings on features, such as:

- **Comprehensive Water Coverage**, Canada's first and only overland flood and storm surge insurance product
- **Claims guarantee** that allows you to review your options before you make a claim, with no impact to your premium if you don't proceed
- **A free legal assistance helpline** with guidance from lawyers on many legal issues
- **Flexible recreational vehicle insurance**, that allows you to insure a recreational vehicle as a stand-alone policy, or bundle with an existing home or auto policy

Learn how Co-operators coverage suits your needs and budget

For additional information and a no-obligation quote, visit coopgroup.ca/aecu or call 1-800-387-1963.

co-operators

Home and auto insurance is underwritten by Co-operators General Insurance Company. *All bundled savings are based on filed discounts and rates. Savings vary based on an individual's insurance profile and are not guaranteed. Savings vary by province. The advertised bundled offer is based on group home and auto insurance rates and includes a welcome discount for new home insurance clients, a claims free discount if you have been claims free for the past 5 years and a conviction-free rating (in ON) or conviction-free discount (in NS, AB, NB and QC) for auto insurance clients. The welcome discount is available only for homeowners (excluding condominiums, mobile homes, seasonals and rented properties). The conviction-free rating or discount is available on private passenger vehicles and requires all drivers to have no minor/major and/or serious/criminal code convictions and no demerit suspensions in the preceding 3 years. Certain conditions, limitations and exclusions may apply. Contact a licensed Co-operators representative for detailed information about your eligibility and how savings could apply to you. Co-operators General Insurance Company is committed to protecting the privacy, confidentiality, accuracy and security of the personal information that we collect, use, retain and disclose in the course of conducting our business. Please visit cooperators.ca/privacy for more information.

Agenda

Atlantic Edge Credit Union Limited
Annual General Meeting
April 30, 2024
Online
7:00 p.m.

1. Establishment of Quorum
2. Adoption of Agenda
3. Adoption of Minutes from:
   - Atlantic Edge Credit Union AGM, May 15, 2023
   - EasternEdge Credit Union AGM, May 15, 2023
   - Hamilton Sound Credit Union AGM, May 15, 2023
4. Business Arising from Minutes
5. President's Report
6. Chief Executive Officer's Report
7. Audit Committee Report
8. New Business
9. Adjournment

AGM 2023 - Minutes (Atlantic Edge Credit Union)

1.0 - Establishment of Quorum

At 7:00 p.m., Dan Sheaves, President and Chair of the Board, called the Annual General Meeting to order.

Dan welcomed all attendees to the AGM of Atlantic Edge Credit Union and presented a land acknowledgement statement. Dan then invited Jessica Sellars, Marketing Specialist, to confirm establishment of quorum. Jessica confirmed that of the 99 people in attendance, 48 were eligible shareholders. Pursuant to section 11.05 of our bylaws, the meeting is duly constituted.

Before the meeting, each attendee had the opportunity to review the legacy LECU and ERCU minutes of the March 30, 2022, and April 12, 2022 AGMs and the Agenda for today's AGM.

2.0 - Adoption of the Agenda

23/05/15-01

No omissions or errors were noted.
MOTION: To adopt the agenda of May 15, 2023.
MOVED BY: Jamie Pye
SECONDED BY: Janet Lewis
MOTION CARRIED

3.0 - Adoption of Minutes of the 13th Annual General Meeting

23/05/15-02

No omissions or errors were noted.

MOTION: To adopt the minutes of the legacy LECU, March 30, 2022, and ERCU, April 12, 2022, Annual General Meetings.
MOVED BY: Jeff Patry
SECONDED BY: Randi Alexander
MOTION CARRIED

4.0 - Business Arising from Minutes

– NIL

5.0 - President's Report

23/05/15-03

Dan Sheaves presented the President's report. The complete report was included in the AGM Booklet. Dan noted the following items:

- 2022 was the first year of the merged credit unions and it was a very successful year.
- There was a profit after tax of $1.8 million and our total asset size exceeds $335 million, which is great for a small credit union in rural Newfoundland and Labrador on the west coast.
- Rising interest rates have been a challenge. Your credit union continued to offer competitive rates and worked with any member that reached out for assistance due to inflationary pressures.
- We had 25 new hires in 2022 and there were labor shortages, but no job losses.
- In 2024, we will be implementing a new banking platform with many improvements and benefits.
- In 2022, we commenced a merger discussion with Hamilton Sound Credit Union and EasternEdge Credit Union with a suggested amalgamation date of January 1, 2024.
- Dan thanked the Board, CEO, and operational team for their dedicated performance in 2022.
- Dan acknowledged the two Directors who will be departing the Board of Atlantic Edge Credit Union as their terms are ending, Edwina Bateman and Brad Sheppard.

MOTION: To adopt the President's Report for 2022, as presented.
MOVED BY: Edwina Bateman
SECONDED BY: Jamie Pye
MOTION CARRIED

6.0 - Chief Executive Officer's Report

23/05/15-04

Cory Munden presented the CEO's Report. The complete report was included in the AGM Booklet. Cory highlighted the following items:

- Since the merger, we have made a commitment that the new credit union would do more for the stakeholders and ensure local-based banking options remain a competitive and accessible choice for our members and for the future of our communities.
- Moving into 2022, a very robust business plan was put into place to bring the two entities together and to bring additional value to our shareholders.
- Both credit unions were very strong prior to the merger and brought a lot of value but we saw through combined effort, resources and the creation of Atlantic Edge Credit Union, we could bring a lot more to the table.
- We developed 5 key areas of strategic focus:
  - Develop a strong governance model
  - Ensure that AECU had a professional team
  - Be financially sustainable
  - Have a strong product and service offering
  - Have a strong community impact focus

AGM 2023 - Minutes (con't) (Atlantic Edge Credit Union)

- 2022 was a very busy year on the Governance side.
- There were 41 meetings held.
- A lot of work was put into redesigning and establishing new board and operational policy and procedures.
- A new committee structure was also established.
- We took the opportunity to redesign a new organizational chart for the new entity and capitalize on creating departments inside of our organization. This included specialists in core operational areas.
- We were able to invest in departments such as IT, Human Resources, Accounting, Risk, Commercial Lending, and Retail Lending.
- We continued with a decentralized corporate structure. This means that employees could live in their communities and continue to work with the Corporate Office. This model has been very successful for us.
- In 2022, 8 staff were promoted, 3 casual employees became become full time, 2 contractual employees became full time, and 2 students were hired as a part of our commitment to give our youth an opportunity for a valuable work placement in the communities in which we serve, and we hope to expand as we move forward.
- A People Leaders Forum was completed for our management staff which went very well.
- All job profiles were reviewed and modified.
- Two staff surveys were completed to check in with how our staff felt we were doing relating to the merger, how our culture was adapting, and we also looked for areas of improvement.
- The merger has enhanced our ability to participate in syndicated lending. This allows our credit union to take on larger financial interest in large commercial deals and this business brings back solid returns to our credit union. This also helps expose us to larger entities in our region.
- We are now also able to provide through our 11-branch network, high ratio mortgages which is the ability to now offer our membership to take a mortgage out with as little as 5% down which is really appealing to our younger members who are looking for their first home purchase. This will also help grow our mortgage portfolio.
- Through prudent financial management, the merger has allowed our team to leverage the unique balance sheets of the former credit unions under one umbrella. We've been able to utilize the strong lending demand in some branches as well as utilize the surplus cash we have in other branches and bring those together to maximize returns.
- We ended the 2022 fiscal year with a net income of $1.8 million which is a significant return for a credit union of $350 million.
- We have had $5.5 million in mortgage growth.
- Overall, a very strong financial fiscal year for Atlantic Edge Credit Union in its first year of operation.
- The team committed to bringing forth to members the best and most competitive products and services.
- A new chequing and savings account suite was designed, and the team also wanted to ensure that simplicity was the key focus for the members.
- Our team designed simplified and competitive chequing and savings accounts.
- We are very pleased with the launch of the Debit Mastercard product, which is going very well.
- Late in 2022, we completed a member survey to examine how they felt about the service they received in 2022.
- 86% of our members reported that they are confident that AECU can meet their future financial needs. We also received a 91.3% overall member satisfaction rating. These are excellent results following the merger.
- It was a very successful year in the community impact aspect.

Award Acknowledgement

Years of Service Awards

- Five years of service – Deena Eddison
- Five years of service – Lucinda Lee
- Ten years of service – Bruce Samms
- Ten years of service – Dale Lomond
- Ten years of service – Kelly Thorne
- Ten years of service – Michele MacLean
- Ten years of service – Mindy Gillingham
- Ten years of service – Brad Sheppard
- Fifteen years of service – Geneva Taylor
- Fifteen years of service – Jody King
- Twenty years of service – Bernadette Normore
- Twenty years of service – Terry Hardy
- Twenty years of service – David Evans
- Thirty years of service – Don Rideout

AGM 2023 - Minutes (con't) (Atlantic Edge Credit Union)

Staff Awards

- Individual Achievement Award – Jocelyn Butt
- Branch Achievement Award – St. Anthony Branch
- CCUA Campus Achievement Award – Thejo Vaidyanathan
- Skillsoft Achievement Award – Charlotte Taylor
- CUMIS Annual Protection Awareness Award – MaryJane Hudson-Cabot
- Beauceron Cybersecurity Award – Cindy Perry
- Co-op Superstar Award – Jackie Rumbolt

MOTION: To approve the CEO's Report for 2022 as presented.
MOVED BY: Gary O'Brien
SECONDED BY: Tracy Keeping
MOTION CARRIED

7.0 - Audit Committee Report

23/05/15-05

The complete Audit Committee Report was included in the AGM Booklet. Brad Hancock, Chair of the Audit Committee, presented the report in summary, noting the following items:

- Despite the challenges of the pandemic, your credit union is performing well and meeting all requirements.
- The Committee has been active over the past year, having met 6 times to perform duties on behalf of the Board.
- All activities required withing the terms of reference were completed in 2022.
- We are pleased to have Grant Thornton as our external auditor and look forward to working with them over the next five years.

MOTION: To adopt the Audit Committee Report for 2022, as presented.
MOVED BY: Dwayne McCarthy
SECONDED BY: April Dawn Pike
MOTION CARRIED

Adoption of a New Auditor

23/05/15-06

MOTION: To appoint Grant Thornton to a five-year term as the auditor of Atlantic Edge Credit Union
MOVED BY: Brad Sheppard
SECONDED BY: Janet Willis
MOTION CARRIED

8.0 - Financial Performance

23/05/15-07

The Financial Performance for 2022 was presented by Barry Griffiths from Grant Thornton. The following items were noted:

- Financial margin – $9,919,391
- Other income – $3,597,962
- Operating expenses – $11,075,515
- Net income before income taxes – $2,441,838
- Income taxes – $615,985
- Net income and comprehensive income – $1,825,853
- Assets – $336,641,099
- Liabilities – $319,296, 067
- Members' Equity – $17,345,032
- Cash flows from:
  - Operating – $2,013,729
  - Financing – (8,169,135)
  - Investing – $5,771,812
  - Decrease in cash and cash equivalents – (385,594)
  - Cash/cash equivalents, beginning of year – $16,734,122
  - Cash/cash equivalents, end of year - $16,350,528

MOTION: To adopt the Financial Statements for 2022, as presented.
MOVED BY: Gary O'Brien
SECONDED BY: Tracy Keeping
MOTION CARRIED

8.0 - New Business

23/05/15-08

Dividend and Patronage Refund: Dan made the official announcement that there is a recommended distribution of $392,085 in the form of a dividend and/or patronage refund. This decision, however, requires the approval from members present.

MOTION: Pursuant to Section 29 of The Credit Union Act, that members approve a distribution to members, in the form of a dividend and/or a patronage refund, an amount up to $392,085.
MOVED BY: Jamie Pye
SECONDED BY: Tracy Keeping
MOTION CARRIED

AGM 2023 - Minutes (Atlantic Edge Credit Union)

9.0 - Special Resolution

Dan read the Special Resolution to the attendees and Cory noted a few items:

- A lot of time was spent updating and adding information to our BetterValueforAll website.
- If the merger approval is successful, we will be expanding our branch network from 11 branch locations to 15. This will allow us to have a presence in both the Central and Avalon regions of Newfoundland.
- Many comments that have come back from the survey have been youth related as they find it a little difficult when attending post-secondary institutions in the Avalon region without having access to a physical branch premises.
- Our inaugural board will consist of 10 directors from the three merging partners, serving 1-3 years and elections will take place when terms expire.
- Cory Munden will be appointed CEO of the new entity.
- Cynthia Strickland, GM of EasternEdge and Dion Jackson, CEO of Hamilton Sound will transition to leadership roles in the new organization.
- Administration and corporate staff will work across the regions.
- The three partner boards unanimously recommend this merger for approval by members.

MOTION: To approve the Special Resolution, as presented.
MOVED BY: Barry Simms
SECONDED BY: Edwina Bateman
MOTION CARRIED

10.0 - Adjournment

With the stated business of the 1st Annual General Meeting of Atlantic Edge Credit Union completed, the Chair requested a motion to adjourn the meeting at 8:30 p.m.

Duly Signed:

Dan Sheaves, President
Dave Evans, Corporate Secretary

AGM 2023 - Minutes (EasternEdge Credit Union)

1.0 - Call to Order

President Paul Summers called the 47th Annual General Meeting to order at 7:03PM. The virtual meeting was conducted via Zoom. Angela Dyke confirmed that a quorum was established.

Introduction of Special Guests

President Paul Summers welcomed special guests: Rod Senior, Director, Senior Operations, Credit Union Deposit Guarantee Corporation; Bill Langthorne, former CEO, current Board member, of the Credit Union Deposit Guarantee Corporation; Greg MacPhee, Account Manager, CUMIS; and Tom Fraize, Fraize Law Office. Paul also welcomed all past and founding Board members as well as credit union retirees.

2.0 - Adoption of the Agenda

President Paul Summers called for additions to the Agenda. The Agenda was approved as presented on a motion by Steve Blackwood and seconded by Jean Babstock. Carried.

3.0 - Minutes of the 46th Annual General Meeting

The minutes of the 46th Annual General Meeting dated March 8, 2022 were reviewed. Paul Summers called for errors or omissions. The minutes were approved as presented on a motion by Barry Crocker and seconded by Brian Power. Carried.

4.0 Presentation of Board and Committee reports

Paul Summers noted that the Message to our Members and the financial highlights are included in the AGM booklet and then turned the meeting over to Cynthia Strickland to review.

Cynthia Strickland thanked everyone for attending. Cynthia summarized the highlights of 2022 advising that 2022 was a very busy year with a focus on the future.

Examples included:

Proposed amalgamation with Atlantic Edge and Hamilton Sound Credit Unions

- Discussions began early in 2022, resulting in a delay of some objectives for 2022. Numerous Board, committee and staff meetings were held during the year.

New banking system:

- Conversion scheduled for May 2024. The pilot is underway in New Brunswick.
- Much of employee time has been invested in the new system/process.
- Transition to the new system throughout Atlantic will happen in stages. EECU will be transitioned last due to the possible amalgamation.

Additional investment in member security

- Cybersecurity Project - ongoing with CGI and League Data
- Two-step verification
- Self-serve PAC
- Strong PAC (2023)

Cynthia acknowledged the fact that there has been a lot of change for members and thanked them for their patience while emphasizing the importance of the changes for the security of all members.

Debit MasterCard

- Introduced in November 2022.
- Functions as both a debit card and a credit card and can be used anywhere.
- Great card for young members who are not yet old enough to get a credit card.

Corporate Social Responsibility

Continue to support organizations in our local community. Some examples included:

- Hurricane Fiona (lunches for first responders and a donation to the Canadian Red Cross).
- Empowering Your Community –$5,000 award for Big Brothers Big Sisters Mentorship Program.
- Financial Literacy Program – ongoing with Reddy Kilowatt Credit Union and very successful.

Member Satisfaction Survey

- Conducted in December. 30% response rate.
- 96.2% overall satisfaction rating. Very pleased with the results.

CU Financial Management

- Cynthia took the opportunity to remind members of the wealth management service that is available to all members, noting that there is more information available in the Annual Report.
- Cynthia advised that a few years ago, CUFM was formed by 13 credit unions in the Atlantic and that it's just the last couple of years (2022 included) that this has started to fully come together to offer estate

AGM 2023 - Minutes (con't) (EasternEdge Credit Union)

planning, retirement planning, financial planning and insurance services. We now have an entire team to offer a complete suite of wealth management products to members. Cynthia recommends everyone take some time to check out this invaluable service.

Financial highlights
Cynthia presented the Independent Auditors' Report provided by Byron Smith, which states that "In my opinion, the accompanying financial statements present fairly, in all material aspects, the financial position of EasternEdge Credit Union Limited at December 31, 2022, and its results of operations and its cash flows for the year then ended in accordance with International Financial Reporting Stands."

Cynthia then took the attendees through the Balance Sheet and Income Statement highlights:

Balance Sheet
- Asset growth of 1.9% ending the year at $80.1 million ($78.6 in 2021)
- Loan portfolio growth of 9.5% (3.5% in 2021) which equates to $18.3 million in business.
- Deposit growth flat.
- Capital adequacy at 5.9% (5.4% in 2021)

Income Statement
- Impact of increasing rates was significant (Income)
- Other income very similar to 2021
- Total operating expenses $30,000 less in 2022 (mainly due to low bad debt)
- Net Income for 2022 was $593,609 ($221,560 in 2021)

Cynthia took the opportunity to thank the Board of Directors for their time and dedication over the year as well as the staff and members of EasternEdge Credit Union.

Cynthia gave attendees an opportunity to ask questions. Paul Summers called for a motion to approve the board and committee reports as presented in the 2022 Annual Report. The reports were approved as presented on a motion by Gary Lane and seconded by Don Kelly. Carried.

5.O. - 2023 Board of Directors

Paul Summers called upon Tom Tulk, the election adjudicator, to present the election update. Tom indicated that in 2023 there were three Director positions available On February 3rd a call for nominations was posted. On the closing date of February 17 there were two nominations for three positions, therefore an election was not required. The following Board members have been acclaimed as Board members for 2023 - Paul Summers and Barry Crocker.

The Board of Directors for 2023 are:
- Paul Summers
- Barry Crocker
- Rebecca Bell
- Cathie Collins
- Paul Newman
- Jim Pender
- Brian Power
- Alex Wells

Paul Summers, at this point, acknowledged the work and commitment of Jeff White, a board member who passed in July of 2022.

6.O Appointment of External Auditors

Paul Summers called for a motion to re-appoint Byron Smith Chartered Professional Accountants as external auditors for 2023. The appointment of Byron Smith Chartered Professional Accountants was approved as presented on a motion by Steve Blackwood and seconded by Brian Power. Carried.

7.O New Business/Special Resolution

Paul Summers informed that meeting that after many meetings and a very in-depth due diligence process the Board of Directors passed a resolution on March 28, 2023 in support of amalgamating with Atlantic Edge and Hamilton Sound Credit Unions. The resolution was then brought forward to the members for consideration and approval.

Cynthia Strickland spoke at length about the overall process, the bettervalueforall.ca website for members as well as the benefits that amalgamation will bring to all members and staff of EasternEdge Credit Union. Cynthia focused the discussion on the impacts that the amalgamation will have on members, staff and community groups.
- Members- more competitive, more value, expanded product line.
- Staff- more opportunities for professional development, similar benefits, same vacation, no loss of years of services. There will be no job losses.
- Community - will continue to support community with a goal to doing more.

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Cynthia Strickland then invited members to ask questions and turned the meeting back over to Paul Summers. Paul reminded everyone that the resolution had been sent to everyone as part of the AGM package and that it was also on the screen.

The resolution is as follows:

WHEREAS the Board of Directors (the "Board") of EasternEdge Credit Union Limited (the "Credit Union") recommends (the "Recommendation") to the Members that the Credit Union amalgamate with Atlantic Edge Credit Union Limited and Hamilton Sound Credit Union Limited (the "Amalgamation") in accordance with the Credit Union Act, 2009 (the "Act") and the proposed amalgamation agreement (the "Amalgamation Agreement");

WHEREAS the Members of the Credit Union approve of the Board's Recommendation;

AND WHEREAS approval of the Recommendation for the Amalgamation must be passed by the Members by way of special resolution, as defined in the Act.

BE IT RESOLVED THAT the Credit Union be amalgamated with Atlantic Edge Credit Union Limited and Hamilton Sound Credit Union Limited in accordance with the Amalgamation Agreement and By-Laws as presented to the Members with the Notice of Annual Meeting of Members dated May 15, 2023.

AND FURTHER BE IT RESOLVED THAT the Board be, and is hereby authorized to do all things necessary or desirable to:

a) effect the Amalgamation of the Credit Union pursuant to the provisions of the Act and Amalgamation Agreement, including but not limited to:

i) complete any actions or undertakings within its jurisdiction and authority, including execution of any documents reasonably necessary for upholding its duties and responsibilities to the Credit Union, and to give effect to the Amalgamation; and

ii) oversee the proper execution of a communications plan throughout the process, which includes effective delivery of information and documents in a timely manner; and

b) make such incidental changes to the Amalgamation Agreement, Articles of Amalgamation, and/or the By-laws as may be needed to ensure the approval of the Credit Union Deposit Guarantee Corporation (CUDGC) prior to the proposed effective amalgamation date of 01 January 2024.

Paul Summers called for a motion to move the Special Resolution.

The Special Resolution was moved by Gary Lane and seconded by Colin Lane.

Paul Summers then reviewed the voting process.

- 2/3 Majority Required.
- Voting opens at the conclusion of the AGM.
- Voting closes on Friday, May 19th at 12:00PM (NST).
- All equity shareholders as of March 31st in goodstanding, age 19 or older are eligible to vote.
- Members can vote using the eballot link to be sent by email or by visiting BetterValueforAll.ca
- In-branch voting is also an option. Staff support available.
- Results will be announced by Tuesday, May 23rd
- Make your vote count for Kids Eat Smart. $1 for every ballot cast.

Paul Summers opened the floor to any other new business inviting members to come forward. Founding member, Gary Lane thanked the staff and Board of Directors for their hard work and personal service. Frank Fry, Bill Maher and Lilian Joy also thanked the staff and Board and spoke positively about the amalgamation.

8.0 Adjournment

The 47th Annual Meeting of EasternEdge Credit Union was adjourned at 8:38 PM on a motion by Don Kelly and seconded by Steve Blackwood. Carried.

Paul Summers, President
Rebecca Bell, Secretary

AGM 2023 - Minutes (Hamilton Sound Credit Union)

1.0 - Call to Order

Orvin Roberts, President called the meeting to order at 7:02 P.M. at the Carmanville Recreation Centre in Carmanville, NL.

Gerald Mckenna (Secretary) confirmed the establishment of a Quorum with (38) Thirty Eight voting members in attendance.

Mr. Roberts welcomed everyone to our 32nd Annual General Meeting and asked for a moment of silence in respect for those members that have passed since our last AGM meeting.

2.0 - Mission, Vision and Values

Our President called attention to the Mission, Vision and Values.

3.0 Adoption of Agenda

Orvin asked for a motion for the adoption of the agenda of May 15th, 2023 and to call the meeting to order.

MOTION 23/05/15-01: to adopt the agenda of the 32nd AGM for May 15th, 2023 as presented.

MOVED BY: Gerald Mckenna
SECONDED BY: Watson Mouland
MOTION CARRIED

Orvin also asked for a motion to accept the Minutes of the 31st Annual General Meeting dated April 27th, 2022.

MOTION 23/05/15-02: to accept the Minutes of the 31st Annual General Meeting for April 27th, 2022 as circulated.

MOVED BY: Audrey Whiteway
SECONDED BY: Lindy Vincent
MOTION CARRIED

Orvin Roberts introduced the Special Guests Byron Smith Chartered accountant, Trevor McCormick CEO CUDGC and Joan Marie Gatherall Chair of CUDGC Board. Orvin then invited Ms. Gatherall to the podium to speak.

Joan Marie expressed her and Trevor's pleasure to attend the Hamilton Sound Credit Union AGM and represent the CUDGC Board. Joan Marie commented on the Credit Union System and it's strength in our province with over 1.5 billion in assets.

She acknowledged the recent changes to the Credit Union Act in Dec 2022 that changed the membership structure of the CUDGC Board. The board currently exist of 8 members, 5 which are nominated by the Credit Union system. The board consist of people with a strong knowledge of the Credit Union system.

She introduced the CEO of CUDGC, Trevor McCormick and his strong regulatory background as a CPA.

She wished all a good evening and thanked the Board for the invitation to attend.

4.0 Report of the Board of Directors

Presented by Orvin Roberts

Mr. Roberts acknowledged that 2022 has emerged into what is now considered to be the new normal, with business & people getting back to somewhat normal lives from the Covid 19 pandemic. This return to the new normal translated into a very successful year for our Credit Union. Profits are at the best level in over 10 years & our loan & mortgage growth increased approximately $2 million dollars for this year.

Due to this financial success our Credit Union continues to be an intricate member of the communities it serves through fundraising, personal involvement of staff and through direct funding. We are determined to be more than just a financial institution as we continue to be community members providing support where it is needed.

Hamilton Sound Credit Union consisted of nine (9) members, representing the Province of Newfoundland and Labrador. During 2022 using their many years of experience they embarked in Merger discussions with (3) Credit unions in the province. Since the start of discussions one (1) Credit Union withdrew. The remaining (2) Credit Unions and the Hamilton Sound Credit Union are committed in proceeding with the merger. With the changing landscape of the financial services industry & for the future needs of our Credit Union & its members, a merger would be the best option for our continued success. If our membership votes in favor of the Merger this will be a big win for our members, employees & the communities we serve.

On behalf of the Board, we offer our sincere appreciation for your continued support in keeping the Credit Union strong. We hope that the Hamilton Sound Credit Union will continue to meet or exceed your needs in the future. We would also like to extend a warm thank-you to all the new member/owners that have joined our Credit Union family over the past year.

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In closing, Mr. Roberts offered his personal appreciation to the Board of Directors, CEO and Staff for a job well done.

This report is respectfully submitted on behalf of the Board.

5.0 - Report of the CEO/Treasurer

Presented by Dion Jackson

Mr. Jackson welcomed everyone to the meeting.

He was pleased to report on the 2022 Financial results and operations for Hamilton Sound Credit Union as his first year being CEO. Despite the challenges of Covid 19 in the first few months of 2022, Hamilton Sound Credit Union experienced another successful year highlighted by a strong financial performance. Unquestionably, this success was due to the dedication of our employees and the loyalty of our members. During 2022 Hamilton Sound Credit Union experienced significant asset growth of 3% which equals approx. $1.4 million and ended the year with total assets of almost $62 million with $9 million through our partner organization League Savings and mortgage. We currently provide services to over 2800 members & continue to provide funding to the communities we serve and organizations we support.

This past year we saw a strong increase in earnings with profit for the year at $229,810.00. Our Credit Union remains financially strong currently carrying $2,314,036.00 in retained earnings. However, while we have not yet seen a major impact to our Credit Union from inflation & the increases in Prime rate, we are aware of the impact it is having on our members finances. Your Credit Union has positioned itself for economic challenges with prudent planning & by maintaining a strong balance sheet. While these preparations are positive, we must concede the possibility of some negative impacts in the future.

Digital solutions to support growth, profitability and security remain a primary strategic focus of your Credit union. The rollout of digital and cybersecurity initiatives with our regional IT partners, League Data and CGI will continue in 2023. We are currently working with our partner League Data with the roll out & implementation of a new banking system that must be adopted by mid 2024. This new banking system comes with a hefty price tag of approximately $67 million dollars, the cost will be shared by all Credit Unions in Atlantic Canada, Hamilton Sound Credit union share is approximately $705,000 dollars.

As an essential service provider, our responsibility is business continuity for our members as well as employee growth and training, with this in mind our Credit Union entered Merger discussions in 2022 with three (3) other Credit unions in the province. Since the start of discussions one credit union has decided to withdraw. The remaining Credit unions are still committed to proceed with the Merger. There has been a due diligence report & a business case completed that looks very positive for the new merged entity. Your board has unanimously approved to move forward with the Merger and we will be asking for our members to vote on the proposed merger from May 15th to May 19th. If the voting is positive the merger will come into effect on January 1, 2024.

I want to extend a Thank You to our employees for their continued dedication and commitment in the delivery of excellent member service. I extend a sincere thank you to our directors for sharing their time, expertise, and their guidance. A big thank you to our members for their loyal support.

6.0 - Review of the Auditor's Report and Financial Statements.

Presented by Byron Smith

Mr. Smith read the Opinion of the Auditors report , that the Financial statements presents fairly the financial position of Hamilton Sound Credit Union Limited as of December 31, 2022. Deemed a Clean Audit report.

The Audit report was previously reviewed by Audit Committee and approved by board of Directors.

MOTION 23/05/15-03: to accept the Auditor's Report and financial statements, as presented.

MOVED BY: James Crewe
SECONDED BY: Watson Mouland
MOTION CARRIED

Appointment of Auditors

Our Chair, Orvin Roberts recommended that we retain the services of Byron Smith, Chartered Accountant for the year end 2023.

MOTION 23/05/15-04: to retain Byron Smith as auditor, to the year ending December 31, 2023.

MOVED BY: James Crewe
SECONDED BY: Gerald Mckenna
MOTION CARRIED

AGM 2023 - Minutes (con't) (Hamilton Sound Credit Union)

8.0 - Report of the Nominating Committee

Presented by Byron Smith

The three (3) directors nominated for re-election this year – Gerald Mckenna, Lindy Vincent and Watson Mouland.

Mr. Smith asked for nominations for Board from the floor. Three times no nominations.

All three were nominated by Acclamation. All three accepted the positions.

MOTION 23/05/15-05: nominations for 3 directors, Gerald Mckenna, Lindy Vincent, and Watson Mouland were conducted and nominated by Acclamation and accepted.

MOVED BY: Orvin Roberts
SECONDED BY: Watson Mouland
MOTION CARRIED

9.0 - New Business

Special Resolution: Hamilton Sound Credit Union

WHEREAS the Board of Directors (the "Board") of Hamilton Sound Credit Union Limited (the "Credit Union") recommends (the "Recommendation") to the Members that the Credit Union amalgamate with Atlantic Edge Credit Union Limited and EasternEdge Credit Union Limited (the "Amalgamation") in accordance with the Credit Union Act, 2009 (the "Act") and the proposed amalgamation agreement (the "Amalgamation Agreement");

WHEREAS the Members of the Credit Union approve of the Board's Recommendation;

AND WHEREAS approval of the Recommendation for the Amalgamation must be passed by the Members by way of special resolution, as defined in the Act.

BE IT RESOLVED THAT the Credit Union be amalgamated with Atlantic Edge Credit Union Limited and EasternEdge Credit Union Limited in accordance with the Amalgamation Agreement and By-Laws as presented to the Members with the Notice of Annual Meeting of Members dated May 15, 2023.

AND FURTHER BE IT RESOLVED THAT the Board be, and is hereby authorized to do all things necessary or desirable to:

a) effect the Amalgamation of the Credit Union pursuant to the provisions of the Act and Amalgamation Agreement, including but not limited to:

   i) complete any actions or undertakings within its jurisdiction and authority, including execution of any documents reasonably necessary for upholding its duties and responsibilities to the Credit Union, and to give effect to the Amalgamation; and

   ii) oversee the proper execution of a communications plan throughout the process, which includes effective delivery of information and documents in a timely manner; and

b) make such incidental changes to the Amalgamation Agreement, Articles of Amalgamation, and/or the By-laws as may be needed to ensure the approval of the Credit Union Deposit Guarantee Corporation (CUDGC) prior to the proposed effective amalgamation date of 01 January 2024

MOTION 23/05/15-06: to accept the Special Resolution as presented by Orvin Roberts.

MOVED BY: Ruth Stratton
SECONDED BY: Gerald Mckenna

Mr. Roberts provided an invitation for anyone wishing to discuss new business.

There was none forthcoming.

He directed everyone to back of AGM booklet where a list of organizations supported by the Credit Union were located.

10.0 - Adjournment

MOTION 23/05/15-07: to adjourn.
MOVED BY: Ruth Stratton

Meeting adjourned at 7:40 p.m.

Message from the President

I am pleased to provide my report as Chairman of the Board of the newly formed Atlantic Edge Credit Union. The financial industry is rapidly changing, and your credit union continues to face opportunities and challenges that are increasing in complexity. In response, in 2023, the Boards of Atlantic Edge Credit Union, Hamilton Sound Credit Union and EasternEdge Credit Union recommended that the three credit unions merge, effective January 1, 2024. This recommendation was approved by the membership and the merged credit unions are now able to strategically address these challenges and opportunities.

Changing member banking behaviours continues to drive us towards emerging, digital technologies and the accompanying additional cybersecurity risks. This requires a significant investment of both financial and people resources as we strive to protect the assets and personal information of your credit union. This trend also drives the need for specialized expertise as we manage risk associated with new technologies and the ever-increasing regulatory framework in which we operate. Your merged credit union is well positioned to respond to these challenges and capitalize on opportunities for innovation.

The competitive demands of the financial services industry are changing quickly. It is becoming increasingly necessary for credit unions to find new ways to collaborate and consolidate efforts to maintain and grow their competitive position. The current environment makes it challenging for smaller, community-based credit unions to compete in today's market – across the country, credit unions with broader market scopes are growing their membership at faster rates than smaller credit unions. With increased regional presence, your merged credit union is better positioned to support local business development and create potential partnerships to build solutions that uniquely address the needs of the people, businesses and communities of Newfoundland & Labrador while providing additional opportunities for growth.

The impacts on stakeholders of the Credit Union were carefully considered when merger discussions commenced. The Boards strongly considered each stakeholder, recognizing that gains in shareholder value were necessary if the merger was to be considered a success. It was evident that members would gain access to an extended portfolio of products and services, digital services, and member support. The expansion of business services, wealth management services, as well as access to a larger branch network were some of the key identified benefits to members. Employees under a merger would have access to a stronger compensation framework and career and professional development opportunities. A merger would also allow more investment in specialized staff to assist in effectively managing the changing financial industry. The merger also benefits the community in that it strengthens the cooperative values shared by all three partners and enables greater opportunities to build awareness and partnerships that create meaningful impact in communities across Newfoundland & Labrador.

Financially, the three combined credit unions had a great 2023. The combined net income equated to $2,672,566, with combined assets of $479,934,638 and a total of 23,755 members.

On behalf of the Board of Directors, I would like to thank the membership for a positive merger vote and entrusting us to bring forth a strong business case supporting a merger. We appreciate your understanding and support as we continue to build on our success of the past year and strive to deliver the benefits identified in our business plan.

I would also like to thank the new team of Atlantic Edge Credit Union. The work that was completed to prepare and operationalize the merger was admirable. The Board appreciates the considerable extra effort that has been completed and recognizes that this level of effort will continue as we ensure this merger is successful.

As Chair of the Board, I would also like to thank the members of the Board of Directors for their efforts over the last year. Combining three independent boards can be difficult, particularly when there is a requirement to downsize the number of board members. I am pleased to report that this process went very well, with director terms and executive roles identified in the fall of 2023. The level of professionalism and alliance to our cooperative values made for a seamless transition. Their collective efforts are one of the many factors that will make this merger a success.

Co-operatively,

Dan Sheaves
President

Message from the CEO

I am pleased to provide a report on the 2023 activity of Hamilton Sound Credit Union (HSCU), EasternEdge Credit Union (EECU), and Atlantic Edge Credit Union (AECU). In 2023, these three credit unions presented a business plan to membership for approval of a merger. Seeing the value in a merger, the membership endorsed the business plan, giving the operational team direction to begin the merger process.

The executive team members of the three credit unions engaged the consulting services of Atlantic Central to assist in the project management of the merger. The following key goals were identified:

1. Members would have access to an expanded product selection at competitive rates and fees.
2. Employees would be provided with more opportunities for growth and development which would result in even stronger retention rates.
3. Communities would benefit from additional financial and non-financial resources and would be empowered by the implementation of unique individual credit union strategies that could be shared amongst all three credit unions, under one umbrella.
4. Aggregating the operational activity of all three credit unions would bring more efficiency and produce a financially stronger credit union.

Merger committees were formed within the operational team to ensure that all the key merger components were considered. Each committee was assigned a project lead, and the team members were assigned based on the required skills and knowledge to carry out the work of the committee.

To ensure that members have access to an expanded competitive product selection, a thorough review of all three credit unions' products and services was completed. Competitive research was also completed, and a revised product suite offering was developed. The expansion of wealth management services and commercial services allows all members to avail of expert financial planning services as well as business members to access a full suite of commercial services for their enterprises. To prepare effectively for the increase in volume, additional commercial staff are being added to the existing staff complement. The expansion of the branch network, serving 15 locations within Newfoundland and Labrador, also provides members with the ability to access in-branch services seamlessly. Significant work is still underway as our newly merged credit union continues to innovate to provide enhanced services to members.

Our employees are the cornerstone of our organization, and significant efforts were directed towards enhancing value to our staff as a result of the merger. We initiated a comprehensive review of our base pay compensation program to ensure that the merged credit union offers competitive compensation based on our industry. Additionally, we meticulously reviewed the benefits programs from all three credit unions, culminating in the development of a new program to ensure that our employees reap the benefits of the merger. Crafting a new organizational chart was a pivotal step, guaranteeing positions for all existing staff members, while also creating a new departmental structure, thereby fostering future opportunities for staff growth and development. Furthermore, we invested in new communication processes and technologies to facilitate seamless interaction among staff members, enhancing collaboration and building stronger relationships among the entire AECU team. Weekly all-staff meetings were expanded to encompass the entire team, offering valuable insights on pertinent topics and fostering a sense of unity.

A committee was dedicated to reviewing all the great community impact work that was completed at all three legacy credit unions. A workplan for 2024 was designed to embrace the major initiatives while also allowing the individual branches to remain focused on their local initiatives. The Community Grant Program, as an example, will be expanded to include all 15 branch communities, representing an investment of over $50,000 in building sustainable communities. Other programs, such as the Community Impact Fund, Each One Teach One, Warm Coats for Kids, and an enhanced donations and sponsorships budget, will ensure that each branch community, and beyond, enjoys additional benefits from this newly merged credit union.

Message from the CEO (con't)

The consolidation of three entities presented an opportunity to streamline operational activities that were often duplicated or triplicated. Each merger committee was tasked with identifying such redundancies and pursuing more efficient solutions. Immediate benefits, such as external and internal audit efficiencies, will result in significant savings. Moreover, the increased scale of the new entity enabled renegotiations with partners and suppliers, leading to additional cost savings.

Today, the world is undergoing significant geo-political upheaval, and the residents of Newfoundland and Labrador are increasingly aware of how global events impact them. We are witnessing high interest rates and inflation, directly influenced by these global occurrences, affecting all 24,000 of our members. Across Canada, credit unions are merging to enhance their scale and address forthcoming disruptions like artificial intelligence, open banking, and escalating political tensions. Like these credit unions, the newly merged Atlantic Edge Credit Union will be better equipped to navigate external pressures, driving additional value for our members. The foresight of our boards and members in recognizing the necessity of mergers, underscores their commitment to the strength and sustainability of the credit union model.

In conclusion, I want to thank the staff and Board of Directors for their exceptional dedication and hard work throughout 2023. The challenges we faced while navigating the complexities of the merger demanded nothing short of excellence, and you all rose to the occasion admirably. I am immensely proud to lead such an exceptional team.

Thank you, once again, for your outstanding contributions, and here's to a bright, prosperous future for AECU.

Co-operatively,

Cory Munden
CEO

The Community Grant Program
expanded to include all 15 branch communities,representing an investment
of over **$50,000** into
building sustainable communities.

Audit Committee Report

To all Owner-Members of Atlantic Edge Credit Union,

The Audit Committee was active over the past year, having met on five occasions to perform its duties on behalf of the Board of Directors. The core functions of the Audit Committee are to act as the liaison between the auditor and the Board of Directors, ensure the financial integrity of our financial statements and to ensure that our credit union assumes an appropriate level of risk in its operations.

Throughout 2023, a secondary focus of the committee was to monitor the integration process of the three credit unions to form the new Atlantic Edge Credit Union, as we prepared for a January 1, 2024 amalgamation date. This work has proceeded as described in our business plan and the Audit committee is pleased to report that this has been a very positive step in the growth of our credit union.

In 2023, each of the three legacy credit unions had year-end audits completed by their respective audit firms. The year-end audit ensures that the financial statements fairly represent the actual position of the credit unions and that the IFRS accounting standards have been followed. The Audit Committee reviewed all audits with the respective auditors and presented them to the Board for adoption. Also in 2023, internal audits were completed for each of the legacy credit unions. These audits were conducted in a professional manner with staff co-operation. I am happy to report that all audits went well and there were no items that were of material concern reported to the Audit Committee.

The management and Board of Atlantic Edge Credit Union recently received notice from our currently auditing firm, Grant Thorton, that they have made changes to their business lines and will no longer be offering external auditing services within the credit union sector. As a result, we are currently in the RFP process for a new auditor, and we are expecting this process to be concluded by the end of the third quarter, 2024.

This year, the Credit Union Deposit Guarantee Corporation, our provincial government regulator, also conducted an audit at the Atlantic Edge Credit Union to ensure compliance with provincial regulation. Minor variances were noted and an action plan to deal with the items, reviewed by the Audit Committee, has been presented to CUDGC.

The area of risk management was also a key focus of the Audit Committee in 2023. The committee worked with our comprehensive Enterprise Risk Management (ERM) program. ERM is a framework to assess the risks inherent in our business and ensure there are appropriate controls in place to guard against loss and ensure that recovery plans are in place in the event of an issue.

CYBER risk is an important element of our ERM program and will continue to be a key area of focus into the future. In 2023, we engaged Marsh, a cyber security insurer, to audit our Cyber security program. The results were very positive, and we will continue to fortify this critical area of our business.

Your Audit Committee fully recognizes that AECU owes a duty of care to our members to appropriately safeguard the money that it holds on deposit. In this regard, AECU continues to maintain and follow strong processes and controls that protect our members' assets. At the time of writing of this report, there were no unresolved issues between the Committee, the Credit Union Deposit Guarantee Corporation and the external auditor. Any concerns that arose during the year were addressed in a professional and satisfactory manner by management.

In closing, I would like to thank the management and staff of AECU for their diligence and co-operation with the Audit Committee as it fulfils its mandate to protect the interests of our members. Their professionalism in their day-to-day jobs and their steadfast adherence to the co-operative values and principles are exemplary. Their involvement in our communities and willingness to help makes a difference in the lives of our members and this work is appreciated beyond measure. We remain a successful financial institution and continue to grow because of our staff. As a director and member of AECU, we could not ask for better.

Co-operatively yours,

Paul W. Newman
Chair, Audit Committee

Grant Thornton

Financial Statements

Atlantic Edge Credit Union Limited

December 31, 2023

Atlantic Edge Credit Union Limited

Contents

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Independent Auditor's Report

To the Members of
Atlantic Edge Credit Union Limited

Opinion

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

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

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

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

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

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

Grant Thornton

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

We also:

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

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

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

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

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

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

Grant Thornton LLP

St. John's, Canada
March 26, 2024

Chartered Professional Accountants

Atlantic Edge Credit Union Limited
Statement of Comprehensive Income

Year Ended December 31	**2023**	2022
Financial income		
Interest on members' loans	**$12,047,811**	$10,106,238
Investment income	**3,210,077**	1,653,922
	15,257,888	11,760,160
Financial expense		
Interest on members' deposits	**3,559,276**	1,448,684
Dividends and patronage	**472,013**	392,085
	4,031,289	1,840,769
Financial margin	**11,226,599**	9,919,391
Other income (Note 12)	**3,516,560**	3,597,962
Financial margin and other income	**14,743,159**	13,517,353
Operating expenses		
Members' security (Note 17)	**897,495**	546,478
General business (Note 17)	**4,898,998**	4,326,295
Occupancy (Note 17)	**830,722**	912,947
Personnel	**5,909,606**	5,289,795
	12,536,821	11,075,515
Net income before income taxes	**2,206,338**	2,441,838
Income taxes (Note 5)		
Current	**564,082**	581,728
Deferred	**(9,855)**	34,257
	554,227	615,985
Net income and comprehensive income	**$ 1,652,111**	$ 1,825,853

See accompanying notes to the financial statements.

Atlantic Edge Credit Union Limited
Statement of Changes in Members' Equity
Year Ended December 31, 2023

	Retained Earnings (Note 14)	Contributed Surplus	Total Members' Equity
Balance at January 1, 2022	$ 6,945,815	$ -	$ 6,945,815
Increase in contributed surplus from business combination	-	8,573,364	8,573,364
Net comprehensive income	1,825,853	-	1,825,853
Balance at December 31, 2022	8,771,668	8,573,364	17,345,032
Net comprehensive income	1,652,111	-	1,652,111
Balance at December 31, 2023	$10,423,779	$ 8,573,364	$18,997,143

See accompanying notes to the financial statements.

Atlantic Edge Credit Union Limited
Statement of Financial Position

December 31	2023	2022
Assets		
Cash and cash equivalents (Note 6)	**$ 16,658,078**	$ 16,350,528
Members' loans (Note 7)	**247,371,673**	237,783,006
Investments (Note 8)	**74,897,552**	76,379,677
Property and equipment (Note 9)	**3,898,058**	4,095,637
Accounts receivable	**988,782**	682,142
Income taxes receivable	**22,772**	-
Prepaid expenses	**2,671,609**	1,237,490
Deferred income taxes (Note 5)	**122,474**	112,619
	$ 346,630,998	$ 336,641,099
Liabilities		
Payables and accruals	**$ 2,746,371**	$ 2,747,772
Income taxes payable	**-**	369,929
Dividends and patronage refunds payable	**400,963**	335,926
Members' deposits (Note 10)	**321,539,294**	312,928,875
Members' shares (Note 10)	**2,947,227**	2,913,565
	327,633,855	319,296,067
Members' Equity (Note 14)		
Retained earnings	**10,423,779**	8,771,668
Contributed surplus (Note 4)	**8,573,364**	8,573,364
	18,997,143	17,345,032
	$ 346,630,998	$ 336,641,099

Commitments (Note 18)
Subsequent events (Note 19)

On behalf of the Board

Dan Sheaves
Dan Sheaves (Apr 8, 2024 12:50 GMT-2.5) Director

Bert Belden
Bert Belden (Apr 8, 2024 17:44 GMT-2.5) Director

See accompanying notes to the financial statements.

Atlantic Edge Credit Union Limited
Statement of Cash Flows

December 31	2023	2022
Increase (decrease) in cash and cash equivalents		
Operating		
Net income and comprehensive income	**$ 1,652,111**	$ 1,825,853
Adjustments for:		
Deferred income tax	**(9,855)**	34,257
Depreciation	**491,807**	496,208
Gain on sale of equipment	**(10,589)**	-
Changes in assets and liabilities		
Other assets	**(1,740,759)**	(1,133,587)
Dividends payable	**65,037**	110,639
Payables and accruals	**(1,401)**	319,462
Income taxes payable	**(392,701)**	360,897
	53,650	2,013,729
Financing		
Increase (decrease) in members' deposits and equity, net	**8,644,081**	(8,169,135)
Investing		
Increase in members' loans, net	**(9,588,667)**	(6,808,988)
Purchase of property and equipment	**(302,359)**	(61,307)
Proceeds on disposal of equipment	**18,720**	-
Decrease (increase) in investments, net	**1,482,125**	(266,016)
Cash resources acquired upon business contribution	**-**	12,908,123
	(8,390,181)	5,771,812
Increase (decrease) in cash and cash equivalents	**307,550**	(383,594)
Cash and cash equivalents		
Beginning of year	**16,350,528**	16,734,122
Ending of year	**$16,658,078**	$16,350,528

See accompanying notes to the financial statements.

Atlantic Edge Credit Union Limited
Notes to the Financial Statements
December 31, 2023

1. Government legislation and operations

Atlantic Edge Credit Union Limited (the "Credit Union") is incorporated provincially under the The Credit Union Act, 2009 and provides financial services to residents of the Province of Newfoundland and Labrador. Membership in the Credit Union is open to residents of Newfoundland and Labrador. The Credit Union has 11 branches in Newfoundland and Labrador, including Happy Valley-Goose Bay, Mary's Harbour, L'Anse au Loup, St. Anthony, Port Saunders, Deer Lake, Corner Brook, St. George's, Jeffrey's, Doyles and Port aux Basques.

These financial statements were authorized for issue by the Board of Directors of Atlantic Edge Credit Union Limited on March 26, 2024.

2. Material accounting policies

Statement of compliance
These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (the "IASB"). The principal accounting policies applied in the preparation of these financial statements is set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of presentation
The Credit Union's functional and presentation currency is the Canadian dollar. The financial statements are presented in accordance with International Accounting Standards ("IAS") 1 "*Presentation of Financial Statements".*

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Credit Union's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Revenue recognition
Interest income is accrued monthly by reference to the principal outstanding at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income is recognized when the right to receive payment is established. Dividends are included in investment income in the Statement of Comprehensive Income.

The Credit Union's revenue includes service charges and fees, and is recognized as the related services are performed. The performance obligation for service charges and fees is typically completed at the point in time the transaction is completed as the member has consumed all of the benefits provided by the Credit Union.

Atlantic Edge Credit Union Limited
Notes to the Financial Statements
December 31, 2023

2. Material accounting policies (cont'd.)

Business combinations
The Credit Union applies the acquisition method in accounting for business combinations. The consideration transferred by the Credit Union to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Credit Union, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

Consideration transferred as part of a business combination does not include amounts related to the settlement of pre-existing relationships. The gain or loss on the settlement of any pre-existing relationship is recognised in profit or loss. The Credit Union recognises assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognized in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are measured at their acquisition-date fair values.

Where there is acquisition from the combination of mutual entities, the Credit Union recognises the acquiree's net assets as a direct addition to capital or equity in its statement of financial position, not as an addition to retained earnings.

Cash and cash equivalents
Cash and cash equivalents include cash on hand and deposits with banks and Atlantic Central and other highly liquid investments with maturities of three months or less from date of acquisition. Bank borrowings are considered to be financing activities.

Members' loans
Members' loans are initially measured at fair value, net of loan origination fees and inclusive of transaction costs incurred. Members' loans are subsequently measured at amortized cost, using the effective interest rate method, less any impairment losses.

Members' loans are reported at their recoverable amount representing the aggregate amount of principal, less any allowance or provision for impaired loans plus accrued interest. Interest is accounted for on the accrual basis for all loans.

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

Member shares
The Credit Union's membership shares are presented in the Statement of Financial Position as financial liabilities in accordance with the substance of the contractual terms of the instruments. These shares qualify as capital for regulatory purposes. Payments of dividends and patronage refunds on membership shares are presented as a financial liability and recognized in the statement of comprehensive income in the year to which they rate. Dividends and patronage refunds are recorded when declared by the Board of Directors.

Atlantic Edge Credit Union Limited
Notes to the Financial Statements
December 31, 2023

2. Material accounting policies (cont'd.)

Impairment of financial assets
The Credit Union assesses impairment of its financial assets on a forward-looking basis, referred to as the 'expected credit loss (ECL) model'. The Credit Union recognizes an impairment loss allowance for such losses at each reporting period regardless of an actual loss being occurred. The Credit Union considers reasonable and supportable information that is available at the reporting date about past events, current conditions, and forecasts that affect the expected collectability of the future cash flows of the instruments when assessing credit risk and measuring expected credit losses.

The calculation of ECL allowances is based on the expected value of three probability-weighted scenarios to measure the expected cash shortfalls, discounted at the effective interest rate. A cash shortfall is the difference between the contractual cash flows that are due and the cash flows that the Credit Union expects to receive. The key inputs in the measurement of ECL allowances are as follows:

- The probability of default ("PD") is an estimate of the likelihood of default over a given time horizon;
- The loss given default ("LGD") is an estimate of the loss arising in the case where a default occurs at a given time; and
- The exposure at default ("EAD") is an estimate of the exposure at a future default date.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instruments. In applying this forward-looking approach, a distinction is made between:

- Stage 1 – financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk;
- Stage 2 – financial instruments that have deteriorated significantly in credit quality since initial recognition or whose credit risk is not low; and
- Stage 3 – financial assets that have objective evidence of impairment at the reporting date.

Stage 1
On initial recognition of the financial instrument, a loss allowance is recognized and maintained equal to 12 months of ECL, being the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on the financial instrument that are possible within the 12 months after the reporting date.

Stage 2
If credit risk increases significantly relative to the initial recognition of the financial instrument, the loss allowance is increased to cover full lifetime ECL. In assessing whether credit risk has significantly increased, the Credit Union compares the risk of a default occurring on the financial instrument as at the reporting date, with the risk of default occurring on the financial instrument as at the date of its initial recognition. Evidence of increased credit risk is observed when the financial instrument has had an unfavorable movement in internal risk assessment. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the Credit Union places the financial instrument in the Stage 1 category and reverts to recognizing 12 months of ECL.

Atlantic Edge Credit Union Limited
Notes to the Financial Statements
December 31, 2023

2. Material accounting policies (cont'd.)

Stage 3
When a financial instrument is considered credit-impaired, the loss allowance continues to reflect lifetime expected credit losses. The Credit Union considers a financial instrument as impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial instrument have occurred after its initial recognition. Evidence of impairment includes indications that the borrower is experiencing significant financial difficulties, or a default or delinquency has occurred. All financial instruments on which repayment of principal or payment of interest is contractually 90 days in arrears are considered impaired. All financial instruments where the borrower has filed for bankruptcy or consumer proposal will also be re-staged to Stage 3.

Changes in the loss allowance, including the movement between 12 months and lifetime expected credit losses, is recorded in the Statement of Comprehensive Income.

Financial instruments are written off, either partially or in full, against the related allowance for credit losses when there is evidence that there is no realistic prospect of future recovery. When financial instruments are secured, a write-off is recognized after all collateral has been realized or transferred to the Credit Union, or in certain circumstances, when the net realizable value of any collateral and other available information suggests that there is no reasonable expectation of further recovery. In events where a bankruptcy or consumer proposal occurs, management will file all required documentation with the Trustee and realize on any available security with the unrecoverable balance being immediately written off. In subsequent periods, any recoveries of amounts previously written off are credited to bad debt recovery.

Provisions
Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Credit Union and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes or onerous contracts. Provisions are not recognized for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Derivative financial instruments
The Credit Union classifies certain financial assets upon initial recognition at fair value through profit or loss. Financial instruments included in this category are the derivatives related to index-linked term deposits and classified as a non-hedge derivative. These instruments are measured at fair value, both initially and subsequently. The related transaction costs are expensed. Gains and losses arising from changes in fair value of these instruments are recorded in net income. At December 31, 2023, the Credit Union held $Nil (2022 - $37,178) in index-linked deposits. The Credit Union's policy is not to utilize derivative financial instruments for trading or speculative purposes.

Atlantic Edge Credit Union Limited
Notes to the Financial Statements
December 31, 2023

2. Material accounting policies (cont'd.)

Leases

The Credit Union makes use of leasing arrangements principally for office space.

For any new contracts entered into, the Credit Union considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Credit Union assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Credit Union
- the Credit Union has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Credit Union has the right to direct the use of the identified asset throughout the period of use. The Credit Union assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee
At lease commencement date, the Credit Union recognizes a right-of-use asset and a lease liability on the Statement of Financial Position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Credit Union, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Credit Union depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Credit Union also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Credit Union measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Credit Union's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Atlantic Edge Credit Union Limited
Notes to the Financial Statements
December 31, 2023

2. Material accounting policies (cont'd.)

Subsequent to initial measurement, the liability will be reduced by lease payments that are allocated between repayments of principal and finance costs. The finance cost is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. It is remeasured to reflect any reassessment or modification, or if there are changes in the substance of fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Credit Union has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the Statement of Financial Position, right-of-use assets have been included in property and equipment and lease liabilities have been included in payables and accruals.

Income taxes
Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

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 profit or loss.

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

The amount of the deferred tax asset or liability is measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date and are expected to apply when the liabilities are settled or assets are recovered.

Investments
The Credit Union's term deposits, liquidity and mortgage pools are measured at amortized cost and income related to these investments is included in investment income. Investments are tested annually for impairment.

Atlantic Edge Credit Union Limited
Notes to the Financial Statements
December 31, 2023

2. Material accounting policies (cont'd.)

Property and equipment
Property and equipment are initially recorded at cost and subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is recognized using the declining-balance ("DB") and straight-line ("SL") methods at the following rates:

Paved area	15% declining balance
Buildings	4-5% declining balance
Furniture and equipment	20% declining balance
Computers	30% declining balance
Leasehold improvements	Straight line over life of the lease term

Depreciation methods and useful lives are reviewed annually and adjusted if necessary.

Impairment of non-financial assets
Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of the value in use and fair value less costs to sell, the asset is written down accordingly. Impairment charges are included in net income.

Risk management
In the normal course of business, the Credit Union is exposed to liquidity risk, credit risk, and market risk. There has been no change in how the Credit Union manages those risks from the previous year.

It is the policy of the Credit Union to manage significant risks efficiently and effectively through an Enterprise Risk Management Process which includes a comprehensive infrastructure of policies, procedures, methods, oversight and independent review designed to reduce the significant risks and to manage those risks within an appropriate threshold. The Credit Union provides their staff with the training necessary to understand and implement these policies and processes. The Board of Directors is provided with timely, relevant, accurate and complete reports on the management of significant risks. Significant risks managed by the Credit Union include liquidity, credit and market risks.

Liquidity risk
Liquidity risk is the risk that the Credit Union cannot meet a demand for cash or fund its obligations as they come due. The Credit Union's management oversees the Credit Union's liquidity risk to ensure the Credit Union has access to enough readily available funds to cover its financial obligations as they come due. The Credit Union's business requires such capital for operating and regulatory purposes. See Note 11 for further information about the Credit Union's capital requirement and management.

Atlantic Edge Credit Union Limited
Notes to the Financial Statements
December 31, 2023

2. Material accounting policies (cont'd.)

Credit risk
Credit risk is defined as the risk of financial loss to the Credit Union as the result of a member failing to meet their obligations in accordance with contractual terms.

Concentrations of credit risk exist if a number of borrowers are engaged in similar economic activities or are located in the same geographic region, and indicate the relative sensitivity of the Credit Union's performance to developments affecting a particular segment of borrowers or geographic region. Geographic credit risk exists for the Credit Union due to most of its service being primarily provided to municipalities in Western Newfoundland, and Labrador. The exposure to credit risk associated with the non-performance of these members can be directly impacted by a decline in economic conditions which would impair the members' ability to satisfy their obligations to the Credit Union. In order to reduce this economic risk, the Credit Union has comprehensive credit procedures in place whereby analyses are performed to control the granting of credit to all members.

The Credit Union maintains its impairment on financial assets using the expected credit loss model. The expected credit losses are assessed at each reporting period by classifying each account into its respective stage based on management's knowledge and financial position of the borrower. For those financial instruments where credit quality has not deteriorated since initial recognition or have low credit risk, they are assigned to Stage 1 and a 12-month expected credit loss is recognized based on factors such as market conditions, concentration of credit risk of the members' accounts, general state of the economy and future looking information. Those financial instruments where there is increased credit risk, those instruments are assigned to Stage 2 and a full lifetime expected credit loss is recognized. Those financial instruments where credit quality has deteriorated and there is objective evidence of impairment are assigned to Stage 3 and a full lifetime expected credit loss is recognized. Management regularly monitors the Credit Union's credit risk and reports to the Board of Directors on a regular basis.

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. For purposes of this disclosure, the Credit Union segregates market risk into two categories: fair value risk and interest rate risk.

a) Interest rate risk
The Credit Union has interest-bearing loans on which general interest rate fluctuations apply. The financial risk is the risk to the Credit Union's earnings that arises from fluctuations in interest rates and foreign exchange rates and the degree of volatility of these rates. The Credit Union does not use derivative instruments to reduce its exposure to interest and foreign currency risk. See Note 16 for further information on interest rate risk of financial instruments.

b) 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, term deposits and investments held. The Credit Union does not hedge its fair value risk. See Note 15 for further information on fair value of financial instruments.

Atlantic Edge Credit Union Limited
Notes to the Financial Statements
December 31, 2023

2. Material accounting policies (cont'd.)

Financial instruments
Recognition and derecognition
Financial assets and financial liabilities are recognized when the Credit Union becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire, or when the financial asset, and substantially all the risks and rewards, are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets and financial liabilities
The Credit Union classifies its financial assets and financial liabilities according to their characteristics and management's intentions related thereto for the purpose of ongoing measurements. Financial assets and financial liabilities are initially measured at fair value, adjusted for transaction costs (where applicable), regardless of classification choice and are subsequently accounted for based on classifications described below.

Financial assets, other than those designated as effective hedging instruments, are classified as either amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The Credit Union does not have any financial assets designated as FVOCI. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs, unless designated as FVTPL.

The classification of financial assets is determined by both:

- The Credit Union's business model for managing the financial asset, and
- The contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs, finance income, or other financial items.

Subsequent measurement of financial assets
Financial assets are measured at amortized cost if the assets are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows and where those cash flows represent solely payments of principal and interest, and that are not designated at FVTPL. After initial recognition, the financial assets are measured at amortized cost using the effective interest method, less provision for loss impairment.

The following financial assets are classified as amortized cost:

- Cash
- Accounts receivable
- Investments - Term deposit, liquidity and mortgage pools
- Members' loans

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorized at fair value through profit and loss. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

The following financial assets are classified as FVTPL:

- Investment in shares

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2. Material accounting policies (cont'd.)

The investments in shares are unlisted entities which are measured at fair value, with the exception of where such information is not available, in which case the investments are recorded at cost, as an estimate of fair value for unquoted equity instruments. The Credit Union assesses all relevant and available information when determining the measurement of the unquoted equity instruments, including evidence provided by recent similar transactions.

The Credit Union's Atlantic Central membership shares are subject to a rebalancing mechanism and transactions occur at par value; therefore, providing a reasonable estimate of fair value.

Subsequent measurement of financial liabilities
Financial liabilities are subsequently measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in profit to loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

The following financial liabilities are classified as other financial liabilities and subsequently measured at amortized cost:
- Payables and accruals
- Dividends and patronage rebates payable
- Members' deposits

3. Significant management judgment in applying accounting policies and estimation uncertainty

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed as follows:

Estimates
Allowance for credit losses
The expected credit loss model requires the recognition of credit losses based on up to 12 months of expected losses for performing loans and the recognition of lifetime losses on performing loans that have experienced a significant increase in credit risk since origination. The determination of a significant increase in credit risk takes into account many different factors and varies by loan type and risk segment. The main factors considered in making this determination are relative changes in probability of default since origination, and certain other criteria, such as 30-day past due and delinquency status. The assessment of a significant increase in credit risk requires experienced credit judgment.

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3. Significant management judgment in applying accounting policies and estimation uncertainty (cont'd.)

In determining whether there has been a significant increase in credit risk and in calculating the amount of expected credit losses, we must rely on estimates and exercise judgment regarding matters for which the ultimate outcome is unknown. These judgments include changes in circumstances that may cause future assessments of credit risk to be materially different from current assessments, which could require an increase or decrease in the allowance for credit losses.

Impairment
An impairment loss is recognized for the amount by which an asset's carrying amount exceeds its recoverable amount, which is the higher of fair value less cost to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each asset or cash generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances.

The actual results may vary, and may cause significant adjustments to the Credit Union's assets within the next financial year. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

Useful lives of depreciable assets
Management reviews the useful lives of depreciable assets at each reporting date. At December 31, 2023, management assesses that the useful lives represent the expected utility of the assets to the Credit Union.

Fair value of financial instruments and in business combinations
Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available, as well as when determining the fair values of certain assets and liabilities acquired in a business combination. Details of the assumptions used are given in the notes regarding financial assets and liabilities.

In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

For the fair value of property and equipment acquired in a business combination management completed a market assessment on its properties along with obtaining a third party market evaluation for certain properties.

Atlantic Edge Credit Union Limited
Notes to the Financial Statements
December 31, 2023

3. Significant management judgment in applying accounting policies and estimation uncertainty (cont'd.)

Leases
The Credit Union enters into leases with third-party landlords and as a consequence the rate implicit in the relevant lease is not readily determinable. Therefore, the Credit Union uses its incremental borrowing rate as the discount rate for determining its lease liabilities at the lease commencement date. The incremental borrowing rate is the rate of interest that the Credit Union would have to pay to borrow over similar terms which requires estimations when no observable rates are available. The Credit Union consults with its main financial institutions to determine what interest rate they would expect to charge the Credit Union to borrow money to purchase a similar asset to that which is being leased.

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 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.

Judgments
Allowance for credit losses
In determining whether an impairment loss should be recorded in the Statement of Comprehensive Income the Credit Union makes judgment on whether objective evidence of impairment exists individually for financial assets that are individually significant.

Where this does not exist, the Credit Union uses its judgment to group member loans with similar credit risk characteristics to allow a collective assessment of the group to determine any impairment loss.

Business combinations
In applying the acquisition method in accounting for business combinations the Credit Union uses its judgement on identifying the acquirer using indicators such as relative voting rights, relative size, the governing body and the composition of senior management in the combined entity.

Atlantic Edge Credit Union Limited
Notes to the Financial Statements
December 31, 2023

4. Business Combination

On January 1, 2022 (the "acquisition date"), the legacy credit unions known as Eagle River Credit Union Limited and Leading Edge Credit Union Limited combined their respective operations by way of an amalgamation. Both organizations have a long history and were born out of a vision to deliver a more positive, inclusive banking experience than that of traditional banks. The amalgamated credit union was named Atlantic Edge Credit Union Limited (the "Credit Union"). There was no cash consideration exchanged in this transaction. The transaction was accounted for in accordance with IFRS 3, Business Combinations ("IFRS 3"), with the legacy Leading Edge Credit Union identified as the "acquirer" and the net assets of the acquired enterprise were recorded at fair value. Judgement was required in the determination of the acquirer in accordance with IFRS 3 and IFRS 10, Consolidated Financial Statements. The fair value of the assets and liabilities acquired were determined in accordance with the methods disclosed in note 3.

The following table summarizes the estimated fair values of the assets acquired and the liabilities assumed:

	Fair Value
Cash	$ 12,908,123
Investments	60,546,730
Members' loans	109,096,989
Property and equipment	1,959,849
Other assets	820,324
Total assets acquired	185,332,015
Members' deposits	173,445,774
Payables and accruals	1,217,464
Dividends and patronage refunds payable	221,260
Members' share capital	1,874,153
Total liabilities assumed	176,758,651
Fair value of net assets acquired	$ 8,573,364

The fair value of the net assets has been recorded as contributed surplus in members' equity. The results for the year ended December 31, 2022 include the results of the acquirer, Leading Edge Credit Union Limited, since inception and the results of the acquiree, Eagle River Credit Union, from the acquisition date forward. Financial income and profit related to the legacy Eagle River Credit Union from the acquisition date to the year ended December 31, 2022 was $5,986,985 and $957,241, respectively

5. Income taxes

	2023	2022
Combined basic federal and provincial income taxes at statutory rate of 30% (2022 – 30%) applied to earnings from continuing operations	$ 661,901	$ 732,551
Small business deduction and other rate deduction credits	(90,000)	(90,000)
Permanent differences	5,310	7,034
Other	(22,984)	(33,600)
Income tax expense	$ 554,227	$ 615,985

Atlantic Edge Credit Union Limited
Notes to the Financial Statements
December 31, 2023

5. Income taxes (cont'd.)

	2023	2022
Tax expense comprises:		
Current	**$ 564,082**	$ 581,728
Deferred	**(9,855)**	34,257
Income tax expense	**$ 554,227**	$ 615,985

Deferred income tax asset temporary differences comprise:	2023	2022
Reserve	**$ 25,588**	$ 43,691
Property and equipment	**96,886**	68,928
Deferred income tax asset	**$ 122,474**	$ 112,619

6. Cash and cash equivalents

	2023	2022
Cash, current accounts, items in transit net of bank indebtedness	**$ 8,658,078**	$ 8,350,528
Net term deposits callable or maturing in three months or less	**8,000,000**	8,000,000
	$ 16,658,078	$ 16,350,528

The Credit Union maintains its current accounts with Atlantic Central.

7. Members' loans

	2023	2022
Members' loans		
Mortgages	**$ 175,216,449**	$ 163,383,135
Term loans	**46,168,630**	47,959,593
Lines of credit	**26,399,476**	27,003,387
	247,784,555	238,346,115
Less allowance for impaired loans	**(412,882)**	(563,109)
	$ 247,371,673	$ 237,783,006

Continuity of allowance for loan losses	2023	2022
Allowance, beginning of year	**$ 563,109**	$ 635,958
Increase from business combination	**-**	238,106
Recoveries (write-offs)	**(484,467)**	(315,475)
Provision for loan losses	**334,240**	4,520
Allowance, end of year	**$ 412,882**	$ 563,109

Atlantic Edge Credit Union Limited
Notes to the Financial Statements
December 31, 2023

7. Members' loans (cont'd.)

The following table reconciles the opening and closing allowance for loan losses. Reconciling items include the following:

- Transfers between stages, which are presumed to occur before any corresponding re-measurement of the allowance.
- Purchases and originations, which reflect the allowance related to assets newly recognized during the period, including those assets that were derecognized following a modification of terms.
- Derecognitions and maturities, which reflect the allowance related to assets derecognized during the period without a credit loss being incurred, including those assets that were derecognized following a modification of terms.
- Remeasurements, which comprise the impact of changes in model inputs or assumptions, including changes in forward looking macroeconomic conditions; partial repayments and additional draws on existing facilities; changes in the measurement following a transfer between stages; and unwinding of the time value discount due to the passage of time.

During the twelve months ended December 31, 2023, there were no significant changes to the models used to estimate expected credit losses.

Allowance for expected credit loss				**2023**
	Stage 1	**Stage 2**	**Stage 3**	**Ending Balance**
Balance, beginning of year	$ 111,071	$ 13,566	$ 438,472	**$ 563,109**
Increase from business combination				
Remeasurements	(57,479)	(3,142)	(574,073)	**(634,694)**
Write-offs, net of recoveries	-	-	484,467	**484,467**
Balance, ending of year	$ 53,592	$ 10,424	$ 348,866	**$ 412,882**

There were no changes in stages during the year.

Key assumptions in determining the allowance for impaired loans collective provision
The Credit Union determines the likely impairment loss on loans which have not maintained the loan repayments in accordance with the loan contact, or where there is other evidence of potential impairment such as industrial restructuring, job losses or economic circumstances. In identifying the impairment likely from these events the Credit Union estimates the potential impairment using the loan type, industry, geographical location, type of loan security, the length of time the loans are past due and the historical loss experience. The circumstances may vary for each loan over time, resulting in higher or lower impairment losses. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Credit Union to reduce any difference between loss estimated and actual loss experience.

Atlantic Edge Credit Union Limited
Notes to the Financial Statements
December 31, 2023

7. Members' loans (cont'd.)

An estimate of the collective provision is based on the period of repayments that are past due.

For purposes of the collective provision, loans are classified into separate group with similar risk characteristics, based on the type of product and type of security.

Definition of default and credit impaired

The Credit Union defines a member loan in default and credit impaired when it meets one or more of the following criteria:

- The borrower is more than 90 days past due on its contractual payments; and
- The borrower meets unlikeliness to pay criteria such as the borrower is deceased, insolvent, in breach of financial covenants, other concessions have been made by the lender, or it is becoming probable that the borrower will enter bankruptcy.

Analysis of individual loans that are impaired, or potentially impaired, based on age of repayments outstanding are as follows:

	December 31, 2023		December 31, 2022	
	Carrying Value	**Allowance**	Carrying Value	Allowance
Period of delinquency				
Less than 90 day	**$ 922,443**	**$ 10,424**	$ 232,440	$ 13,566
Over 90 days	**4,059,308**	**348,866**	3,909,308	438,472
Total loans in arrears	**4,981,751**	**359,290**	4,141,748	452,038
Total loans not in arrears	**242,802,804**	**53,592**	234,204,367	111,071
Total loans	**$247,784,555**	**$ 412,882**	$238,346,115	$ 563,109

Terms and conditions

Member loans can have either a variable or fixed rate of interest and they mature within seven years.

Some variable rate loans are based on a "prime rate" formula. The rate is determined by the type of security offered and the member's credit worthiness.

The interest rate on a fixed-rate loan being advanced by December 31 varies with the type of security offered and the member's credit worthiness.

Current mortgages are loans that are secured by residential property and are generally repayable monthly with either blended payments of principal and interest or interest only.

Current loans consist of personal term loans, commercial loans, member overdrafts and lines of credit that are non-real estate secured and, as such, have various repayment terms. Some of the current loans are secured by personal property, equipment, investments, with a general security agreement or conditional sales contracts.

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Notes to the Financial Statements
December 31, 2023

7. Members' loans (cont'd.)

Business loans consist of terms loans, operating lines of credit, and mortgages to individuals, partnership, and corporations, and have various repayment terms. They are secured by various types of collateral, including mortgages on real property, general security agreements, charges on specific equipment, investments and personal property.

Average yields to maturity
Loans bear interest at both variable and fixed rates with the following average yields at:

	2023 Principal	**2023 Yield**	2022 Principal	2022 Yield
Variable rate	**$ 31,906,500**	**8.60%**	$ 24,459,400	8.55%
Fixed rate	**215,878,055**	**4.92%**	213,886,715	4.41%
Total	**$ 247,784,555**		$ 238,346,115	

The Credit Union's prime rate at December 31, 2023 was 7.20% (2022 – 6.45%).

Credit quality of loans
The following table set out information above the credit quality of loans and mortgages measure at amortized cost

	Normal Risk Stage 1	Watch List Stage 2	Credit Impaired Stage 3	**2023 Total**	2022 Total
Conventional Mortgages	$ 81,150,989	$ 714,753	$ 2,916,798	**$ 84,782,540**	$ 75,642,335
Insured Mortgages	65,696,374	-	266,330	**65,962,704**	68,761,372
Business Mortgages	18,961,235	-	-	**18,961,235**	18,893,108
Syndicated mortgages	5,192,227	-	-	**5,192,227**	-
Personal (secured)	44,082,211	207,690	876,180	**45,166,081**	63,605,181
Personal (unsecured)	20,085,374	-	-	**20,085,374**	928,079
Business(secured)	7,376,018	-	-	**7,376,018**	10,516,040
Business(unsecured)	258,376	-	-	**258,376**	-
Subtotal loans advanced	242,802,804	922,443	4,059,308	**247,784,555**	238,346,115
Unused lines of credit	25,278,200	-	-	**25,278,200**	23,787,456
Total	268,081,004	922,443	4,059,308	**273,062,755**	262,133,571
Allowance for doubtful accounts	(53,592)	(10,424)	(348,866)	**(412,882)**	(563,109)
Total loans and commitments	$268,027,412	$ 912,019	$ 3,710,442	**$272,649,873**	$261,570,462

Atlantic Edge Credit Union Limited
Notes to the Financial Statements
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8. Investments	**2023**	**2022**
Term deposits, liquidity and mortgage pools		
Atlantic Central – Mandatory liquidity	**$19,440,919**	$19,097,989
Atlantic Central – term deposits	**15,000,000**	13,000,000
Wyth Financial – term deposits	**19,500,000**	22,500,000
League Savings and Mortgage – term deposits	**14,685,386**	15,706,031
Souris Credit Union – Mortgage pool managed by LSM	**221,497**	233,778
Security deposits	**43,140**	-
Accrued interest	**1,000,189**	593,338
Investment in shares		
Atlantic Central - Common shares	**3,139,530**	3,381,650
Atlantic Central - Class B shares	**355,000**	355,000
Atlantic Central - Class NL Prov shares	**183,000**	183,000
Atlantic Central - Class NS Prov shares	**18,000**	18,000
League Data Ltd. - Class B preferred shares	**95,480**	95,480
League Savings and Mortgage - Shares	**625,005**	625,005
Wyth Financial – Class A preferred shares	**250,000**	250,000
Wyth Financial - Membership Shares	**10**	10
CU Financial Management – Common shares	**340,296**	340,296
Canadian Credit Union Association - Membership Shares	**100**	100
	$74,897,552	$76,379,677

The Credit Union is required under the Credit Union Regulations, 2009 of the Credit Union Act, 2009 to maintain an amount equal to 6% of the total liabilities as at each month end. Note 11 provides the Credit Union's position in this regard. The mandatory liquidity deposit can be withdrawn only if there is a sufficient reduction in the Credit Union's assets or upon withdrawal of membership from Atlantic Central. At December 31, 2023, the Credit Union held liquidity deposits of $19,440,919 (2022 - $19,097,989).

The shares in Atlantic Central are required as a condition of membership and are redeemable upon withdrawal of membership or at the discretion of the Board of Directors of Atlantic Central. In addition, the member Credit Union are subject to additional capital calls at the discretion of the Board of Directors of Atlantic Central.

Atlantic Central common shares are subject to an annual rebalancing mechanism and are issued and redeemable at par value. There is no separately quoted market value for these shares however, fair value is determined to be equivalent to the par value due to the fact transactions occur at par value on a regular and recurring basis.

League Data Ltd. is part of the Credit Union System with League Savings and Mortgage Company (LSM), an Atlantic Central subsidiary. There is no separately quoted market value for these shares and fair value could not be measured reliably. Therefore, they are recorded at cost.

The Credit Union is not intending to dispose of any Atlantic Central or League Data Ltd. shares as the services supplied by these entities are relevant to the day to day activities of the Credit Union. Dividends on these shares are at the discretion of the Board of Directors of Atlantic Central and League Data Ltd.

The Credit union has invested in a specific group of mortgages under administration with League Savings and Mortgage Company consisting of principal and interest on loans less any administration fees and charges.

Atlantic Edge Credit Union Limited
Notes to the Financial Statements
December 31, 2023

9. Property and equipment

	Land	Right of use asset	Parking Area	Buildings	Computers	Furniture & Equipment	Leasehold Improvements	Total
Cost								
Balance, December 31, 2022	$ 278,206	$ 800,260	$ 198,316	$ 2,998,733	$ 633,855	$ 1,860,815	$ 1,050,837	$ 7,821,022
Additions	-	-	-	-	30,387	271,971	-	302,358
Disposals	-	-	-	-	-	(23,174)	-	(23,174)
Balance, December 31, 2023	$ 278,206	$ 800,260	$ 198,316	$ 2,998,733	$ 664,242	$ 2,109,612	$ 1,050,837	$ 8,100,206
Accumulated depreciation								
Balance, December 31, 2022	-	230,774	78,910	813,487	551,498	1,552,176	498,540	3,725,385
Depreciation expense	-	100,684	17,622	144,745	43,298	135,998	49,460	491,807
Disposals	-	-	-	-	-	(15,044)	-	(15,044)
Balance, December 31, 2023	$ -	$ 331,458	$ 96,532	$ 958,232	$ 594,796	$ 1,673,130	$ 548,000	$ 4,202,148
Net book value								
December 31, 2022	278,206	569,486	119,406	2,185,246	82,357	308,639	552,297	4,095,637
December 31, 2023	**$ 278,206**	**$ 468,802**	**$ 101,784**	**$ 2,040,501**	**$ 69,446**	**$ 436,482**	**$ 502,837**	**$ 3,898,058**

Atlantic Edge Credit Union Limited
Notes to the Financial Statements
December 31, 2023

10. Members' deposits and equity shares	2023	2022
Members' deposits		
Chequing	**$ 117,401,592**	$ 115,639,395
Savings	**95,214,763**	105,411,255
Term deposits and accrued interest	**69,388,566**	83,206,736
RRSP and accrued interest	**29,223,755**	6,056,236
RRIF and accrued interest	**8,356,134**	1,060,930
Non- equity share accounts	**1,954,484**	1,554,323
	$ 321,539,294	$ 312,928,875
Equity shares	**$ 2,947,227**	$ 2,913,565

Terms and conditions
Chequing deposits are due on demand.

Saving accounts are due on demand and bear interest at various rates up to 0.005%. Interest is calculated daily.

Term deposits bear fixed rates of interest up to 5.5% for terms of up to five years. Interest is paid annually, semi-annually, monthly or upon maturity.

The registered retirement savings plans (RRSP) accounts have fixed or variable interest rates. Fixed rate RRSP's have terms and rates similar to the term deposit accounts described above.

Registered retirement income funds (RRIF) have fixed or variable interest rate products with terms and conditions similar to those of the RRSP's described above. Member may make withdrawals from a RRIF account on a monthly, quarterly, semi-annually or annual basis. The regular withdrawal amounts vary according to individual needs and statutory requirements.

The tax-free savings accounts (TFSA) have a fixed or variable interest rate with terms and conditions similar to those of the RRSP's described above.

Member equity shares consist of 1 share per adult member. The holders of member equity shares have all of the rights and privileges and are subject to the restrictions of a member as provided for in the Credit Union Act and Regulations and in the By-Laws of the Credit Union. Currently there are 14,666 (2022 – 14,569) fully paid equity share accounts. Since membership shares are redeemable on demand, they are presented as a liability on the Credit Union's Statement of Financial Position. Share accounts are not insured by the Credit Union Deposit Guarantee Corporation; however, they do qualify as capital for regulatory purposes, notwithstanding their financial statement classification as liabilities. Dividends and patronage payable of $472,013 (2022 - $392,085) were recorded in the Statement of Comprehensive Income. The Credit Union has a policy of classifying unpaid patronage dividends as surplus shares and these surplus shares can only be withdrawn with the approval of the Board of Directors.

Atlantic Edge Credit Union Limited
Notes to the Financial Statements
December 31, 2023

11. Capital/liquidity requirements

Capital Management
The Credit Union is subject to capital requirements set out in the Credit Union Act, 2009, of Newfoundland and Labrador (the Act). The Credit Union is required to hold a capital reserve equal to 5% of total assets consisting of equity shares and retained earnings with the minimum retained earnings requirement being 3% of total assets. Alternatively, a risk weighted assets approach may be used. The Credit Union follows the risk weighted approach. As at December 31, 2023, the Credit Union's risk weighted capital ratio was 15.54%, which exceeded the minimum required of 11.5%. The Credit Union's total capital as a percentage of assets was 5.5%. Therefore, the Credit Union has exceeded its minimum capital requirement as at December 31, 2023.

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 Act.

The Credit Union management ensures compliance with capital adequacy through the following: setting policies for capital management, monitoring and reporting; setting policies for related areas such as asset liability management; reporting to the Board of Directors or its committees regarding financial results and capital adequacy; reporting to the Credit Union Deposit Guarantee Corporation ("CUDGC") on its capital adequacy; and setting budgets and reporting variances to those budgets.

Liquidity Management
The Act requires credit unions to maintain investments equal to a minimum of 6% of liabilities for adequate liquidity. Assets held by the Credit Union for such purposes are investments and demand deposits held with Atlantic Central in the amount of $51,098,997 at December 31, 2023. At December 31, 2023, 6% of liabilities is $19,164,024 representing an excess in liquidity of $31,934,973.

12. Other income

	2023	2022
Service charges and fees	**$ 2,345,379**	$ 2,518,934
Commissions and profit sharing	**638,879**	602,002
Other	**532,302**	477,026
	$ 3,516,560	$ 3,597,962

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December 31, 2023

13. Related party transactions

The Credit Union entered into the following transactions with key management personnel, directors and close family members, which are defined by IAS 24, *"Related Party Disclosures"*, as those persons having authority and responsibility for planning, direction and controlling the activities of the Credit Union.

Meeting allowance fees paid to directors of the Credit Union amounted to $52,977. At December 31, 2023, loans and deposits of directors amounted to $978,565 and $680,199, respectively.

Key management personnel include the Chief Executive Officer and other senior officers of the entity. Total compensation paid to key personnel of the entity was $538,503. At December 31, 2023 loans and deposits of key management personnel amounted to $798,023 and $104,755, respectively.

14. Corporate Social Responsibility (CSR) Reserve

The Credit Union is committed to the implementation of a Cooperative Social Responsibility Policy that supports the way in which it integrates social, environmental and economic concerns into its values, culture, decision making, strategy and operations, establishing better practices within the credit union, and improving the communities in which it operates. Allocations from retained earnings to the CSR reserve are made to fund activities in the next year. The activities and projects are planned, purposeful and targeted.

Member equity is comprised of the following:

	2023	2022
Retained earnings from operations	**$10,396,257**	$ 8,736,003
Corporate Social Responsibility Reserve	**27,522**	35,665
Contributed surplus	**8,573,364**	8,573,364
	$18,997,143	$17,345,032

The activity in the CSR reserve is summarized as follows:

	2023	2022
Opening balance	**$ 35,665**	$ 38,000
Increase from business combination	**-**	35,605
Allocation from retained earnings reserve	**25,000**	
Funds utilized	**(33,143)**	(37,940)
	$ 27,522	$ 35,665

The Credit Union utilized funds of $33,143 in 2023 and were expensed under other general business expenses in the Statement of Comprehensive Income. The Credit Union has allocated $27,522 (2022 - $35,665) from its retained earnings to this reserve to fund activities in the future.

Atlantic Edge Credit Union Limited
Notes to the Financial Statements
December 31, 2023

15. Fair market value of the financial instruments

The following table presents the fair value of financial instruments of the Credit Union based on the valuation methods and assumptions as set out below.

Fair value represents the amount at which a financial instrument could be exchanged in an arm's length transaction between willing parties under no compulsion to act and is best evidenced by a quoted market price, if one exists.

Quoted market prices are not available for a significant portion of the Credit Union's financial instruments. Consequently, the fair values presented are estimates derived using present value or other valuation techniques and may not be indicative of the net realizable value.

The fair values disclosed exclude the values of assets and liabilities that are not considered financial instruments such as land, buildings and equipment.

The Credit Union categories valuation methods used for financial instruments carried at fair value under a hierarchy of valuation techniques based on whether inputs are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Credit Union's market assumptions. These two inputs create the following fair value hierarchy:

- Level 1 – Quoted prices for active markets for identical financial instruments.
- Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar financial instruments in markets that are not active; and model-derived valuation in which all significant inputs are observable in active markets.
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data.

The carrying value of cash and cash equivalents, receivables, payables and members' savings approximate their fair value as they are short term in nature or are receivable on demand.

There have been no transfers during the year.

Investments in credit union related entities such as Atlantic Central, League Data Limited, Wyth Financial and League Savings and Mortgage are measured at cost, less any identified impairment losses at the end of each reporting period. These investments are classified as Level 2 as they do not have a quoted price in an active market and their fair value cannot be reliably measured.

For variable rate loans and deposits the carrying value is also considered to be a reasonable estimate of fair value. For fixed-rate loans and mortgages, and deposits, the fair value is calculated using a discounted cash flow model, based on weighted average interest rates and the term to maturity of the instrument. The discount rates applied were based on the current market rate offered by the average remaining term to maturity.

The calculation of estimated fair values is based on market conditions at a specific point in time and may not be reflective of future fair values.

Atlantic Edge Credit Union Limited
Notes to the Financial Statements
December 31, 2023

15. Fair market value of the financial instruments (cont'd.)

	2023 Carrying Value	2023 Estimated Fair Market Value	2022 Carrying Value	2022 Estimated Fair Market Value
Assets				
Cash and cash equivalents	**$ 16,658,078**	**$ 16,658,078**	$ 16,350,528	$ 16,350,528
Members' loans	**247,371,673**	**248,046,973**	237,783,006	231,238,751
Investments	**74,897,552**	**74,897,552**	79,379,677	79,379,677
Accounts receivable	**988,782**	**988,782**	682,142	682,142
Liabilities				
Payables and accruals	**2,746,371**	**2,746,371**	2,747,772	2,747,772
Dividends and patronage refunds	**400,963**	**400,963**	335,926	335,926
Members' deposits and equity	**$324,486,521**	**$324,125,776**	$315,842,440	$314,044,656

16. Interest rate sensitivity

The Credit Union is exposed to interest rate risk because of the mismatch, or gap between the assets, liabilities and off-balance sheet instruments scheduled to re-price on particular dates. Maturity dates substantially coincide with interest adjustment dates. Amounts with floating interest rates, or due on demand, are classified as maturing within one year, regardless of maturity. Amounts that are not interest sensitive are grouped together, regardless of maturity. The table below does not incorporate management's expectation of future events where re-pricing or maturity dates of certain loans and deposits differ significantly from the contractual dates.

Maturity	Assets	Yield	Liabilities	Cost	Assets Liabilities Gap
Variable	$ 31,906,430	8.60%	$171,252,340	0.34%	(139,345,910)
3 months	25,203,168	3.99%	9,529,073	3.77%	15,674,095
6 months	17,511,365	4.28%	23,231,442	3.99%	(5,720,077)
9 months	34,937,660	4.64%	15,530,887	3.93%	19,406,773
1 Year	60,427,372	4.72%	21,415,289	4.18%	39,012,083
2 Years	69,365,652	4.88%	13,858,501	3.80%	55,507,151
3 Years	51,612,801	4.54%	4,963,228	3.84%	46,649,573
4 Years	27,997,283	5.31%	7,107,134	3.44%	20,890,149
5 Years	15,653,970	6.19%	4,722,257	4.49%	10,931,713
> 5 years	277,821	5.40%	11,541	1.00%	266,280
	334,893,522		**271,621,692**		**63,271,830**
Not interest sensitive	11,737,476		75,009,306		(63,271,830)
	$346,630,998		**$346,630,998**		-

Atlantic Edge Credit Union Limited
Notes to the Financial Statements
December 31, 2023

16. Interest rate sensitivity (cont'd.)

The Credit Union uses income simulation modelling to measure exposure to changes in interest rates over short-term periods. Earnings at risk are calculated by forecasting the net interest margin for the next 12-month period using most likely assumptions. The impact of rate shock scenarios are measured against the most likely forecast. The resulting change in the forecast as a result of interest rate shocks is then compared to the most likely forecast to determine the earnings at risk amount. The table below shows the projected change to earnings based on most likely changes in interest rates:

Asset/Liability Management Limits	Projected Change to Earnings
Most Likely Shocked + 300 basis points	$ 1,066,896
Most Likely Shocked + 200 basis points	711,264
Most Likely Shocked + 100 basis points	355,632
Most Likely Forecast Scenario	Nil
Most Likely Shocked - 100 basis points	(353,690)
Most Likely Shocked - 200 basis points	(707,380)
Most Likely Shocked - 300 basis points	(1,061,070)

17. Expenses

	2023	2022
Members' security		
Provision for impaired loans	**$ 334,240**	$ 3,446
CUDGC assessment insurance	**466,462**	464,103
Insurance	**96,793**	78,929
	$ 897,495	$ 546,478
General business		
Advertising and promotion	**$ 168,096**	$ 125,842
Amortization	**179,296**	148,022
Assessment dues – Atlantic Central	**293,343**	299,165
Business taxes	**206,535**	212,639
Data processing fees	**1,928,416**	1,836,089
Office expenses and postage	**187,648**	167,869
Other	**437,206**	375,295
Professional fees	**237,315**	189,629
Service charges	**625,135**	437,890
Shared services and governance	**210,156**	206,791
Telephone	**122,376**	117,458
Training	**163,087**	113,808
Travel	**140,389**	95,798
	$ 4,898,998	$ 4,326,295

Atlantic Edge Credit Union Limited
Notes to the Financial Statements
December 31, 2023

17. Expenses (cont'd.)	**2023**	2022
Occupancy		
Land lease	**$ 137,022**	$ 147,033
Depreciation – building	**194,206**	201,072
Repairs and maintenance	**62,507**	125,195
Other	**68,631**	126,027
Property insurance and taxes	**134,884**	131,146
Utilities	**233,472**	182,474
	$ 830,722	$ 912,947

18. Commitments

Leases

The Credit Union has entered into lease agreements for office space and has recorded an associated lease liability. Future principal lease commitments under the Credit Union's lease agreements for the next five years are as follows:

2024	$134,402
2025	$126,848
2026	$ 87,366
2027	$ 60,075
2028	$ 60,110

Member loans

The Credit Union has the following commitment to its members at the year end on account of unused lines of credit

	2023	2022
Unused lines of credit	**$25,278,200**	$23,787,455

Credit Facilities

The Credit Union has an authorized line of credit with Atlantic Central totalling $8,422,000 bearing interest at 7.20%, with a $Nil balance used at December 31, 2023 (2022 - $Nil). These borrowings are secured by a general assignment of book debt.

Atlantic Edge Credit Union Limited
Notes to the Financial Statements
December 31, 2023

19. Subsequent events

On January 1, 2024, Eastern Edge Credit Union Limited and Hamilton Sound Credit Union merged with Atlantic Edge Credit Union Limited and will continue operations under the name of Atlantic Edge Credit Union Limited. The initial accounting for the business combination is incomplete at the time the financial statements are authorised for issue, therefore acquisition-date fair values of each credit union are not available.

Eastern Edge Credit Union Limited was an established Credit Union with one branch located in Mount Pearl, Newfoundland and Labrador. The approximate financial position of Eastern Edge Credit Union Limited at its carrying values at December 31, 2023 was as follows:

Total Assets	$ 82,152,131
Total Liabilities	77,676,487
Total Equity	$ 4,475,644

Hamilton Sound Credit Union was an established Credit Union with three branches located in Newfoundland and Labrador. The approximate financial position of Hamilton Sound Credit Union Limited at its carrying values at December 31, 2023 was as follows:

Total Assets	$ 51,085,446
Total Liabilities	48,428,291
Total Equity	$ 2,657,155

EasternEdge Credit Union Limited
Financial Statements

December 31, 2023

BYRON SMITH
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

CONTENTS

INDEPENDENT AUDITOR'S REPORT

BYRON SMITH
CHARTERED PROFESSIONAL ACCOUNTANTS

Byron D. Smith
B. Comm., C.F.E., FCPA, FCA

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To the Members of:
EasternEdge Credit Union Limited

Opinion

I have audited the financial statements of EasternEdge Credit Union Limited, which comprise the statement of financial position as at December 31, 2023, the statement of comprehensive income, the statement of changes in members' equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy information.

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

Basis for Opinion

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

Other Matter

On January 1, 2024 the EasternEdge Credit Union Limited amalgamated with the Atlantic Edge Credit Union, see note 1 for more information.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.

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

I 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 I identify during my audit.

Spaniard's Bay, NL
April 5, 2024

Byron Smith

CHARTERED PROFESSIONAL ACCOUNTANT

EasternEdge Credit Union Limited
Statement of Financial Position

As at December 31,	2023	2022
Assets		
Cash	$ 1,116,559	$ 1,238,447
Deposits - interest bearing and liquidity accounts (Note 3)	6,203,092	8,925,453
Investments (Note 4)	1,295,792	1,324,802
Loans and mortgages receivable (Note 6)	70,634,628	66,087,916
Other assets (Note 8)	912,823	430,845
Property, plant and equipment (Note 7)	2,055,300	2,109,015
	$ 82,218,194	$ 80,116,478
Liabilities		
Accounts payable and accrued liabilities	$ 557,847	$ 551,618
Members' deposits (Note 9)	77,357,363	75,926,309
Income taxes payable	54,116	74,483
Future income taxes	43,527	36,063
	78,012,853	76,588,473
Members' Equity		
Retained Earnings	4,205,341	3,528,005
	$ 82,218,194	$ 80,116,478

Approved by the Board:

Dan Sheaves
Dan Sheaves (Apr 10, 2024 11:46 ADT) Director

Paul Newman
Paul Newman (Apr 10, 2024 14:51 EDT) Director

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

EasternEdge Credit Union Limited
Statement of Comprehensive Income

For the Year Ended December 31,	2023	2022
Financial Revenue		
Interest	$ 3,511,143	$ 2,686,630
Investment income	337,195	224,958
	3,848,338	2,911,588
Cost of Funds		
Interest on members' deposits	1,604,414	737,423
Financial Margin	2,243,924	2,174,165
Other Income		
Other (Note 14)	444,704	480,747
	2,688,628	2,654,912
Operating Expenses		
Member security (Note 15)	10,800	153,622
General business (Note 16)	925,842	841,660
Personnel	928,668	959,494
	1,865,310	1,954,776
Net Income Before Income Taxes	823,318	700,136
Income Taxes		
- future (recovery) (Note 10)	7,464	9,128
- current (Note 10)	138,518	97,399
Total Comprehensive Income	$ 677,336	$ 593,609

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

EasternEdge Credit Union Limited
Statement of Changes in Members' Equity

For the Year Ended December 31,	2023	2022
Retained earnings, beginning of year	$ 3,528,005	$ 2,934,396
Total Comprehensive Income	677,336	593,609
Retained earnings, end of year	$ 4,205,341	$ 3,528,005

Retained earnings is comprised of the following:

Retained earnings from operations	$ 4,154,341	$ 3,477,005
Stock dividend	51,000	51,000
	$ 4,205,341	$ 3,528,005

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

EasternEdge Credit Union Limited
Statement of Cash Flows

For the Year Ended December 31,	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Activities		
Total Comprehensive Income	$ 677,336	$ 593,609
Adjustments to reconcile total comprehensive income to net cash provided by operating activities:		
Amortization	73,272	78,185
Provision for impaired loans		7,359
	750,608	679,153
Change in assets and liabilities:		
Future income taxes	7,464	9,128
Accounts payable and accrued liabilities	6,229	219,762
Income taxes payable	(20,367)	74,116
Other assets	(481,978)	(325,049)
Net cash provided by operating activities	261,956	657,110
Cash Flows from Financing Activities		
Increase in members' deposits	1,431,054	628,879
Cash Flows from Investing Activities		
Decrease (Increase) in investments	29,010	34,875
Decrease (increase) in loans and mortgages receivable	(4,546,712)	(5,689,533)
Increase in capital assets	(19,557)	(3,968)
Net cash used in investing activities	(4,537,259)	(5,658,626)
Decrease in cash	(2,844,249)	(4,372,637)
Cash, beginning of year	10,163,900	14,536,537
Cash, end of year	$ 7,319,651	$ 10,163,900
Cash balances consist of:		
Cash and cash equivalents	$ 1,116,559	$ 1,238,447
Cash - required liquidity (Note 3)	6,203,092	8,925,453
	$ 7,319,651	$ 10,163,900

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

EasternEdge Credit Union Limited
Notes to the Financial Statements

December 31, 2023

1. Nature of Operations and Basis of Presentation

Reporting Entity

The Credit Union is incorporated under the laws of the province of Newfoundland and Labrador and is subject to the provisions of the Credit Union Act/Regulations of the Province. The Credit Union is a member of Atlantic Central. The Credit Union operates as one operating segment in the loans and deposit taking industry in Newfoundland and Labrador. Products and services offered to its members include mortgages, personal and commercial loans, chequing and savings accounts, term deposits, RRSP's, RRIF's, RESP's, mutual funds, automated banking machines (ABM's), debit and credit cards, internet and mobile banking. The Credit Union's office is located at Mount Pearl, NL.

On January 1, 2024 the Credit Union amalgamated with Atlantic Edge Credit Union to become a branch of the Atlantic Edge Credit Union.

Basis of Presentation

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

The financial statements for the year ended December 31, 2023 were authorized for issue by the Credit Union's Board of Directors on April 5, 2024.

The Credit Union's functional and presentation currency is the Canadian dollar.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Credit Union's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

2. Material Accounting Policy Information

The IASB continues to make changes to IFRS to improve the overall quality of financial reporting. The Credit Union monitors IASB developments that are relevant to the Credit Union's financial reporting and accounting policies.

Prepaid Asset, Service Contract Costs

The Credit Union is participating in a cost sharing arrangement to fund the costs for platform development related to a cloud computing service contract. In accordance with IFRS Interpretations Committee release, March 2019, these costs are related to the service contract and will be recorded as an expense over the contract term. The contract is expected to be for a ten year period beginning in 2023.

Financial Instruments

Effective January 1, 2018 the Credit Union adopted IFRS 9 - Financial Instruments ("IFRS 9"), which replaces IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 addresses classification and measurement, impairment, and hedge accounting.

The impact to Members' equity at January 1, 2018 was a decrease of $298,543 reported in retained earnings, related to the impairment requirements of the standard. As permitted by IFRS 9, prior periods had not been restated.

EasternEdge Credit Union Limited
Notes to the Financial Statements

December 31, 2023

2. Material Accounting Policy Information (Continued)

a) Classification and Measurement:

IFRS 9 provides a single model for financial asset classification and measurement that is based on both the business model for managing financial assets and the contractual cash flow characteristics of the financial assets. These factors determine whether the financial assets are measured at amortized cost, fair value through other comprehensive income, or fair value through profit or loss.

The following summarizes the key aspects resulting from IFRS 9:

- "Amortized cost" financial asset category was introduced replacing the loans and receivables ("L&R") classification. It applies to debt instruments whose contractual cash flow characteristics are solely payments of principal and interest ("SPPI") and that are held in a business model whose objective is to hold the assets to collect contractual cash flows.
- "Fair value through other comprehensive income" ("FVOCI") financial asset category was introduced. It applies to debt instruments that meet the SPPI test where the business model's objective is achieved by collecting contractual cash flows and by selling the assets. These assets may be sold in response to or in anticipation of changes in interest rates, changes in credit risk, changes in funding sources or terms, or to meet liquidity needs.
- Debt instruments that are managed on a "held for trading" or "fair value" basis are classified as fair value through profit or loss ("FVTPL").
- Equity instruments are measured at FVTPL, unless the asset is not held for trading purposes and we make an irrevocable election to designate the asset as FVOCI. This election is made on an instrument-by-instrument basis and must be made upon initial recognition.

The Credit Union considers the following in their determination of the applicable business model for financial assets:

- The business purpose of the portfolio – such as a focus on earning contractual interest income or a focus on matching the duration of the liabilities that are funding the assets;
- The risks that are being managed and the type of activities that are carried out on a day-to-day basis to manage the risks;
- The basis on which performance of the portfolio is being evaluated; and
- The frequency and significance of sales activity in prior periods, and expectations about future sales activity.

The classification and measurement of financial liabilities remain essentially unchanged under IFRS 9, except for financial liabilities designated as measured at fair value through profit or loss.

b) Impairment:

IFRS 9 provides a single impairment model for financial assets that requires the recognition of expected credit losses (ECL). The new ECL model results in an allowance for credit losses being recorded on financial assets regardless of whether there has been an actual impairment.

Under IFRS 9, the ECL model, which is forward-looking, also requires that forecasts of future events and economic conditions be used when determining significant increases in credit risk and when measuring expected losses. Forward-looking macroeconomic factors such as unemployment rates, housing price indexes, interest rates, and household disposable income are considered in the assessment of ECL.

2. Material Accounting Policy Information (Continued)

Expected credit losses are based on a range of possible outcomes and consider all available reasonable and supportable information including internal and external ratings, historical credit loss experience, and expectations about future cash flows. The measurement of expected credit losses is based primarily on the following components:

- Exposure at Default (EAD) – an estimate of the loan exposure amount at a future default date (this amount does not consider the underlying collateral, or mortgage insurance).
- Probability of Default (PD) - an estimate of the likelihood of default over a given time horizon.
- Loss Given Default (LGD) - an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due on the loan, and those that the lender would expect to receive, including cash flows from any collateral or, in the case of insured mortgages, the proceeds from the insurance claim.

The ECL model measures credit loss allowances using a three-stage approach based on the extent of credit deterioration since origination:

- Stage 1 – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. In assessing whether credit risk has increased significantly, we compare the risk of a default occurring on the financial instrument as at the reporting date, with the risk of a default occurring on the financial instrument as at the date of its initial recognition.
- Stage 2 – When a financial instrument experiences a SICR after origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.
- Stage 3 – Financial instruments that we have classified as impaired are included in this stage. Evidence of impairment includes indications that the borrower is experiencing significant financial difficulties, or a default or delinquency has occurred. As with Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

Significant judgment is required in making assumptions and estimations when calculating ECL, including determination of significant increases in credit risk, and the application of forward-looking information. The underlying assumptions and estimates may result in changes to the provisions from period to period.

IFRS 9 requires consideration of past events, current market conditions and reasonable supportable information about future economic conditions, in determining whether there has been a significant increase in credit risk and in calculating the amount of expected losses.

Changes in the required ECL allowance, including the impact of financial instruments migrating between stage 1 and stage 2, are recorded in the provision for credit losses in the statement of comprehensive income.

c) Hedge Accounting:

IFRS 9 introduces a new hedge accounting model that aligns the accounting for hedge relationships more closely with a Credit Union's risk management activities.

EasternEdge Credit Union Limited
Notes to the Financial Statements

December 31, 2023

2. Material Accounting Policy Information (Continued)

Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits with Atlantic Central, other short-terms highly liquid investments with original maturities of three months or less; and for the purpose of the statement of cash flows, bank overdrafts that are repayable on demand.

Cash and cash equivalents are classified as loans and receivables and are carried at amortized cost, which is equivalent to fair value.

Investments

Central Deposits

These deposit instruments are classified as loans and receivables and are initially measured at fair value plus transaction costs that are directly attributable to their acquisition. Subsequently they are carried at amortized cost, which approximates fair value.

Equity Instruments

These instruments are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition. Subsequently they are carried at fair value, unless they do not have a quoted market price in an active market and fair value is not reliably determinable in which case they are carried at amortized cost.

Changes in fair value, except for those arising from interest calculated using the effective interest rate, are recognized as a separate component of other comprehensive income.

Where there is a significant or prolonged decline in the fair value of an equity instrument (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive income, is recognized in net income.

Purchases and sales of equity instruments are recognized on settlement date with any change in fair value between trade date and settlement date being recognized in accumulated other comprehensive income.

On sale, the amount held in accumulated other comprehensive income associated with that instrument is removed from equity and recognized in net income.

2. Material Accounting Policy Information (Continued)

Derivative Financial Instruments

Hedges

The Credit Union did not engage in any material derivative financial instruments.

The Credit Union, in accordance with its risk management strategies, may enter into various derivative financial instruments to protect itself against the risk of fluctuations in interest rates.

The Credit Union manages interest rate risk through interest rate swaps. These derivatives are carried at fair value and are reported as assets where they have a positive fair value and as liabilities where they have a negative fair value, in both cases shown on the Statement of Financial Position.

Hedge accounting is applied to financial assets and financial liabilities only where all of the following criteria are met:

- At the inception of the hedge there is formal designation and documentation of the hedging relationship and the Credit Union's risk management objective and strategy for undertaking the hedge;

- For cash flow hedges, the hedged item in a forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss;

- The effectiveness of the hedge can be reliably measured; and

- The hedge is expected to be highly effective at inception and remains highly effective on each date it is tested. The Credit Union has chosen to test the effectiveness of its hedges on a quarterly basis.

The swap contracts can be designated as fair value hedge instruments or cash flow hedge instruments.

Cash flow hedges modify exposure to variability in cash flows for variable rate interest bearing instruments or the forecasted assurance of fixed rate liabilities. The Credit Union's cash flow hedges are primarily hedges of floating rate deposits as well as commercial and personal loans.

For cash flow hedges that meet the hedging documentation criteria, gains and losses resulting from changes in the fair value of the effective portion of the derivative instrument are recorded in other comprehensive income until the hedged item is recognized in income, at which time such change is recognized as interest income. The ineffective portion is recognized immediately in income as other income.

If the Credit Union closes out its hedge position early, the cumulative gains and losses recognized in other comprehensive income are frozen and reclassified from the cash flow hedge reserve to profit or loss using the effective interest method. The ineffective portion of gains and losses on derivatives used to manage cash flow interest rate risk are recognized in net income within interest expense or interest revenue.

Other Non-Hedge Derivatives

The Credit Union may designate certain financial assets upon initial recognition as at fair value through profit or loss (fair value option). Financial instruments included in this category are the embedded derivatives and derivatives related to index linked term deposits and interest rate swaps not designated as hedging instruments.

These instruments are measured at fair value, both initially and subsequently. The related transaction costs are expensed. Gains and losses arising from changes in fair value of these instruments are recorded in net income.

EasternEdge Credit Union Limited
Notes to the Financial Statements

December 31, 2023

2. Material Accounting Policy Information (Continued)

Member Loans

All member loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and have been classified as loans and receivables.

Member loans are initially measured at fair value, net of loan origination fees and inclusive of transaction costs incurred.

Member loans are subsequently measured at amortized cost, using the effective interest rate method, less any impairment losses.

Loans to members are reported at their recoverable amount representing the aggregate amount of principal, less any allowance or provision for impaired loans plus accrued interest. Interest is accounted for on the accrual basis for all loans.

If there is objective evidence that an impairment loss on member loans carried at amortized cost has incurred, the amount of the loss is measured as the difference between the loans carrying amount and the present value of expected cash flows discounted at the loans original effective interest rate, short-term balances are not discounted.

The Credit Union first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. The expected future cash outflows for a group of financial assets with similar credit risk characteristics are estimated based on historical loss experience.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in net income.

Bad Debts Written Off

Bad debts are written off from time to time as determined by management and approved by the Board of Directors when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off against the provisions for impairment, if a provision for impairment had previously been recognized. If no provision had been recognized, the write offs are recognized as expenses in net income.

Property, Plant and Equipment

Property, plant and equipment is initially recorded at cost. Amortization is calculated on a straight line basis as set out below, based on the estimated useful lives of the assets. No amortization is taken on assets purchased that have not been put into use during the year.

Buildings - structure	- 40 years
Pavement	- 20 years
Ventilation system	- 20 years
Buildings - windows/flooring	- 10 years
Furniture and equipment	- 5 years
Signage	- 10 years
Computer equipment	- 3 years

2. Material Accounting Policy Information (Continued)

Amortization methods, useful lives and residual values are reviewed annually and adjusted if necessary.

Impairment of Non-Financial Assets

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows.

Impairment charges are included in net income, except to the extent they reverse gains previously recognized in other comprehensive income.

Income Taxes

Income tax expense comprises current and future tax. Current tax and future tax are recognized in net income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Future 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 profit or loss.

Recognition of future 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 would allow the future tax asset to be utilized. Future 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.

The amount of the future tax asset or liability is measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date and are expected to apply when the liabilities (assets) are settled (recovered).

Members' Deposits

All members' deposits are initially measured at fair value, net of any transaction costs directly attributable to the issuance of the instrument.

Members' deposits are subsequently measured at amortized cost, using the effective interest rate method.

EasternEdge Credit Union Limited
Notes to the Financial Statements

December 31, 2023

2. Material Accounting Policy Information (Continued)

Accounts Payable and Other Payables

Liabilities for trade creditors and other payables are classified as other financial liabilities and initially measured at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method.

Provisions

Provisions are recognized for liabilities of uncertain timing or amounts that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

Members' Shares

Members' shares issued by the Credit Union are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

Shares that contain redemption features subject to the Credit Union maintaining adequate regulatory capital are accounted for using the partial treatment requirements of IFRIC 2 *Members' Shares in Co-operative Entities and Similar Instruments.*

Revenue Recognition

Interest is accrued on a daily basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Dividend income is recognized when the right to receive payment is established. Revenue from the provision of services to members is recognized when earned, specifically when amounts are fixed or can be determined and the ability to collect is reasonably assured.

Revenue from Contracts with Customers

IFRS 15 standard is a control-based model that focuses on risk and rewards. Under this standard, revenue is recognized when a customer obtains control of a good or service.

Transfer of control occurs when the customer can direct the use of and obtain the benefits of the good or service. The standard introduces a new five step model governing revenue recognition to be applied to contracts with customers. The Credit Union must also determine whether its performance obligation is to provide the service itself (i.e. the Credit Union acts as a principal) or to arrange another party to provide the service (i.e. the Credit Union acts as an agent).

This guidance includes a five-step, principles-based recognition and measurement approach, as well as requirements for accounting for contract costs, and additional disclosures about the nature, amount, timing and uncertainty of revenues and cash flows arising from transactions with customers.

Patronage Distributions

Patronage distributions are recognized in net income when circumstances indicate the Credit Union has a constructive obligation it has little or no discretion to avoid, and it can make a reasonable estimate of the amount required to settle the obligation.

2. Material Accounting Policy Information (Continued)

Foreign Currency Translation

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that day. At the year-end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the year-end date and the related translation differences are recognized in net income. Exchange gains and losses arising on the retranslation of monetary financial assets are treated as a separate component of the change in fair value and recognized in net income. Exchange gains and losses on non-monetary financial assets form part of the overall gain or loss recognized in respect of the financial instrument.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net income or other comprehensive income consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

Standards, Amendments and Interpretations Not Yet Effective

The following new standards, amendments and interpretations, which have not been applied in these financial statements, that will or may have an effect on the Credit Union's future financial statements are:

- Amendments to IAS 1 were issued on January 23, 2020 with an effective date of January 1, 2024. The amendment in Classification of Liabilities as Current or Non-Current affect only the presentation of liabilities in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expense, or the information that entities disclose about those items.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Credit Union's future financial statements.

Accounting Estimates and Judgements

Use of Estimates

The Credit Union makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both.

EasternEdge Credit Union Limited
Notes to the Financial Statements

December 31, 2023

2. Material Accounting Policy Information (Continued)

The estimates and assumptions that have significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair Value of Financial Instruments

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

The methods and assumptions applied, and the valuation techniques used, for financial instruments that are not quoted in an active market are disclosed in Note 4.

Member Loan Loss Provision

In determining whether an impairment loss should be recorded in the statement of comprehensive income the Credit Union makes judgement on whether objective evidence of impairment exists individually for financial assets that are individually significant. Where this does not exist the Credit Union uses its judgement to group member loans with similar credit risk characteristics to allow a collective assessment of the group to determine any impairment loss.

In determining the collective loan loss provision Management uses estimates based on historical loss experience for assets with similar credit risk characteristics and objective evidence of impairment. Further details on the estimates used to determine the allowance for impaired loans collective provision are provided further along in Note 2 and Note 6.

The Credit Union business model is to hold financial assets in the form of loans for the objective of collection of contractual cash flows of solely payments of principal and interest. The Credit Union assesses on a forward-looking basis the expected credit losses (ECL) associated with its Member loans and commitments. The Credit Union recognized a loss allowance for such losses at each reporting date. The measurement of ECL reflects, an unbiased and probability-weighted amount, the time value of money and reasonable and supportable information that is available without undue cost at the reporting date about past events, current conditions and future economic indicators.

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 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.

EasternEdge Credit Union Limited
Notes to the Financial Statements

December 31, 2023

2. Material Accounting Policy Information (Continued)

Financial Instruments

Financial assets and liabilities are initially recognized at fair value and are subsequently accounted for based on their classification as detailed below. The following table presents the classifications of financial assets and financial liabilities in accordance with IFRS 9:

Classification under:	IFRS 9
Cash and cash equivalents	Amortized cost
Investments – debt instruments	FVOCI
Investments – equity instruments	FVOCI elected
Other assets	Amortized cost
Loans and mortgages	Amortized cost
Member deposits	Amortized cost

A financial asset is derecognized when the contractual rights to the cash flows from the asset have expired, or the Credit Union transfers the contractual rights to receive the cash flows from the asset, or has assumed an obligation to pay those cash flows to a third party and the Credit Union has transferred substantially all of the risks and rewards of ownership of that asset to a third party. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Changes in fair values of financial assets and financial liabilities classified as FVTPL are reported in earnings, while the changes in value of FVOCI financial assets are reported within other comprehensive income (OCI) until the financial asset is disposed of or becomes impaired.

Accumulated OCI is reported on the statement of financial position as a separate component of Members' Equity. It includes, on a net of taxes basis, the net unrealized gains and losses on FVOCI financial assets.

3. Cash and Cash Equivalents

The Credit Union's cash and current accounts are held with Atlantic Central. The average yield on the accounts at December 31, 2023 is 4.23%.

The following tables provide information on investments by type of security and issuer. The maximum exposure to credit risk would be the fair value as detailed below.

Deposits - interest bearing and liquidity accounts

	2023	2022
Atlantic Central Liquidity reserve deposit	$ 4,641,273	$ 4,688,086
Cash management	1,561,819	958,312
Atlantic Central - term deposits and accrued interest		3,279,055
Total	$ 6,203,092	$ 8,925,453

EasternEdge Credit Union Limited
Notes to the Financial Statements

December 31, 2023

4. Investments

The Credit Union must maintain liquidity reserves with Atlantic Central of not less than 6% of total deposits in, and borrowings of, the Credit Union in accordance with legislation. Note 13 provides the Credit Union's position in this regard. The deposits can be withdrawn only if there is a sufficient reduction in the Credit Union's total deposit and borrowings or upon withdrawal of membership from Atlantic Central. The liquidity reserves are due within one year. At maturity, these deposits are reinvested at market rates for various terms.

Discount deposits at Atlantic Central are due within one year. The carrying amounts for deposits at Atlantic Central approximate fair value due to having similar characteristics as cash and cash equivalents.

Equity Instruments

	2023	2022
Atlantic Central Common Shares	$ 747,170	$ 776,180
Atlantic Central Class B	96,000	96,000
Atlantic Central NL Shares	51,000	51,000
Central 1 Credit Union Class B Shares	100	100
League Savings and Mortgage Company Shares	324,189	324,189
League Data Company Share	33,620	33,620
CU Financial Management Limited Common shares	43,713	43,713
Total Equity Instruments	$ 1,295,792	$ 1,324,802

During 2020 the Credit Union transferred the financial management services of certain members investment accounts over to CU Financial Management Limited (CUFM). In exchange for this intangible the Credit Union received 5 common shares in CUFM with a fair value of $43,713.

The shares in Atlantic Central are required as a condition of membership and are redeemable upon withdrawal of membership or at the discretion of the Board of Directors of Atlantic Central. In addition, the member Credit Unions are subject to additional capital calls at the discretion of the Board of Directors of Atlantic Central.

Atlantic Central shares are subject to an annual rebalancing mechanism and are issued and redeemable at par value. There is no separately quoted market value for these shares, however, fair value is determined to be equivalent to the par value due to the fact transactions occur at par value on a regular and recurring basis.

League Savings and Mortgage Company is a member of the Atlantic Central Group. There is no separately quoted market value for these shares and the fair value could not be measured reliably. Therefore, they are recorded at cost.

League Data Company is part of the Credit Union System and League Saving and Mortgage Company (LSM), an Atlantic Central subsidiary. There is no separately quoted market value for these shares and the fair value cound not be measured reliably. Therefore, they are recorded at cost.

The Credit Union is not intending to dispose of any Atlantic Central shares as the services supplied by these entities are relevant to the day to day activities for the Credit Union.

Dividends on these shares are at the discretion of the Board of Directors of Atlantic Central.

EasternEdge Credit Union Limited
Notes to the Financial Statements

December 31, 2023

5. Derivative Financial Instruments

The Credit Union has not entered into any derivative financial instruments.

6. Loans and Mortgages Receivable

	2023	2022
Current loans	$ 20,475,367	$ 21,657,912
Current mortgages	48,974,597	42,651,790
Impaired loans and mortgages	1,532,488	2,271,633
	70,982,452	66,581,335
Less: allowance for impaired loans	(347,824)	(493,419)
Net loans and mortgages receivable	$ 70,634,628	$ 66,087,916

Current loans include prepaid transaction costs (referral fees) as follows: 2023 - $13,737; 2022 - $15,896. Transaction costs are included with current loans in accordance with the effective interest rate method.

Total allowance for impaired loan provision is comprised solely of individual specific provisions:

	2023	2022
Balance, beginning of year	$ 493,419	$ 655,781
Loans written off as uncollectible, net	(10,771)	(169,721)
	482,648	486,060
Additional provision (net of recovery)	(134,824)	7,359
Balance, end of year	$ 347,824	$ 493,419

The number of loans outstanding at December 31 has been summarized as follows:

	2023	2022
Current loans	1,372	1,414
Current mortgages	263	239
Impaired loans and mortgages	30	37
	1,665	1,690

EasternEdge Credit Union Limited
Notes to the Financial Statements

December 31, 2023

6. Loans and Mortgages Receivable (Continued)

Analysis of individual loans that are impaired or potentially impaired based on age of repayments outstanding.

	December 31, 2023		December 31, 2022	
	Carrying Value	Individual Specific Provision	Carrying Value	Individual Specific Provision
Period of delinquency				
Less than 90 days	$ 135,528	$ 26,849	$ 590,028	$ 88,627
Over 90 days	1,396,960	186,552	1,681,605	236,371
Total loans in arrears	1,532,488	213,401	2,271,633	324,998
Total loans not in arrears	69,449,964	134,423	64,309,702	168,421
Total loans	$ 70,982,452	$ 347,824	$ 66,581,335	$ 493,419

Terms and Conditions

Member loans can have either a variable or fixed rate of interest and they mature within seven years.

Some variable rate loans are based on a "prime rate" formula. The rate is determined by the type of security offered and the member's credit worthiness.

The interest rate on fixed rate loans being advanced at December 31 varies with the type of security offered and the member's credit worthiness.

Current mortgages are loans that are secured by residential property and are generally repayable monthly with either blended payments of principal and interest or interest only.

Current loans consist of personal term loans, commercial loans, member overdrafts and lines of credit that are non real estate secured and, as such, have various repayment terms. Some of the current loans are secured by personal property and equipment or investments, and a general security agreement or conditional sales contracts.

EasternEdge Credit Union Limited
Notes to the Financial Statements

December 31, 2023

6. Loans and Mortgages Receivable (Continued)

Average Yields to Maturity

Loans bear interest at both variable and fixed rates with the following average yields at:

	Principal	2023 Yield	Principal	2022 Yield
Variable rate	$ 17,627,609	8.18%	$ 19,323,065	7.68%
Fixed rate	53,354,843	4.16%	47,258,270	3.64%
	$ 70,982,452		$ 66,581,335	

Credit Quality of Loans

The following table sets out information about the credit quality of loans and mortgages measured at amortized cost.

	Normal Risk Stage 1	Watch List Stage 2	Credit-Impaired Stage 3	2023 Total	2022 Total
Insured Mortgages	$ 7,575,904			$ 7,575,904	$ 6,321,078
Conventional Mortgages	41,401,304	$ 23,626	$ 1,087,373	42,512,303	38,201,459
Personal Loans (Secured)	13,519,260		258,496	13,777,756	13,910,943
Personal Loans (Unsecured)	7,062,175	3,223	51,091	7,116,489	8,147,855
Lines of Credit					
Subtotal loans advanced	69,558,643	26,849	1,396,960	70,982,452	66,581,335
Unused Lines of Credit	7,832,382			7,832,382	7,262,853
Total	77,391,025	26,849	1,396,960	78,814,834	73,844,188
Allowance for Doubtful Accounts	134,423	26,849	186,552	347,824	493,419
Total loans and commitments	$ 77,256,602	$ NIL	$ 1,210,408	$ 78,467,010	$ 73,350,769

Fair Value

The estimated fair value of the variable rate loans is assumed to be equal to book value as the interest rates on these loans re-price to market on a periodic basis. The estimated fair value of fixed rate loans is determined by discounting the expected future cash flows at current market rates for products with similar terms and credit risks.

6. Loans and Mortgages Receivable (Continued)

Key Assumptions in Determining the Allowance for Impaired Loans Collective Provision

The Credit Union has determined the likely impairment loss on loans which have not maintained their loan repayments in accordance with the loan contract, or where there is other evidence of potential impairment such as industrial restructuring, job losses or economic circumstances. In identifying the impairment likely from these events the Credit Union estimates the potential impairment using the loan type, industry, geographical location, type of loan security, the length of time the loans are past due and the historical loss experience. The circumstances may vary for each loan over time, resulting in higher or lower impairment losses. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Credit Union to reduce any difference between loss estimates and actual loss experience.

An estimate of the collective provision is based on the period of repayments that are past due.

For purposes of the collective provision loans are classified into separate groups with similar risk characteristics, based on the type of product and type of security.

Definition of Default and Credit Impaired

The Credit Union defines a member loan in default and credit impaired when it meets one or more of the following criteria:

- The borrower is more than 90 days past due on its contractual payments.
- The borrower meets unlikeliness to pay criteria such as the borrower is deceased, insolvent, is in breach of financial covenants, other concessions have been made by the lender or it is becoming probable that the borrower will enter bankruptcy.

Following the general IFRS 9 impairment approach, credit loss allowance is measured using a three-stage approach as defined in Note 2.

Loss Allowance

The loss allowance recognized in the period is impacted by factors, such as: transfers between stage 1 and stages 2 or 3 due to member loans experiencing significant risk or becomming credit-impaired in the period and consequently step up (or step down) between 12 month and lifetime expected credit losses. Also, the impact on the measurement of ECL due to changes in the risk adjusted probability of default, exposure at default and the loss given default in the period, arising from regular refreshing of the inputs to models.

EasternEdge Credit Union Limited
Notes to the Financial Statements

December 31, 2023

6. Loans and Mortgages Receivable (Continued)

The table below explains the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at December 31, 2022	$ 158,407	$ 88,627	$ 246,384	$ 493,418
Transfers from stage 1 to stage 2				
Transfers from stage 2 to stage 3				
Remeasurement of loss allowance	(23,983)	(61,778)	(59,833)	(145,594)
Net change during the period	(23,983)	(61,778)	(59,833)	(145,594)
Loss allowance as at December 31, 2023	$ 134,424	$ 26,849	$ 186,551	$ 347,824

EasternEdge Credit Union Limited
Notes to the Financial Statements

For the Year Ended December 31, 2023

7. Property, Plant and Equipment

	Land	Buildings	Paving	Furniture and Fixtures	Total
Cost					
Balance on December 31, 2022	$ 366,316	$ 2,313,075	$ 55,537	$ 680,893	$ 3,415,821
Additions				19,557	19,557
Balance on December 31, 2023	366,316	2,313,075	55,537	700,450	3,435,378
Accumulated Amortization					
Balance on December 31, 2022		616,223	34,412	656,171	1,306,806
Amortization expense		52,247	2,776	18,249	73,272
Balance on December 31, 2023		668,470	37,188	674,420	1,380,078
Net Book Value					
December 31, 2022	$ 366,316	$ 1,696,852	$ 21,125	$ 24,722	$ 2,109,015
December 31, 2023	$ 366,316	$ 1,644,605	$ 18,349	$ 26,030	$ 2,055,300

EasternEdge Credit Union Limited
Notes to the Financial Statements

December 31, 2023

8. Other Assets

	2023	2022
Prepaid expenses	$ 38,836	$ 92,099
Prepaid service contract costs, (Honeybee Mission)	804,970	338,746
Other accounts receivable	69,017	-
	$ 912,823	$ 430,845

9. Members' Deposits

	2023	2022
Chequing accounts	$ 12,971,011	$ 11,782,952
Savings	26,202,161	19,783,741
Term deposits and accrued interest	9,810,925	14,444,757
RRSP funds plus accrued interest	18,319,860	19,795,033
RRIF funds plus accrued interest	9,805,358	8,976,108
Equity incentive share accounts		890,500
Equity share accounts	248,048	253,218
	$ 77,357,363	$ 75,926,309

Terms and Conditions

Chequing deposits are due on demand.

Demand deposits (saving accounts) are due on demand and bear interest at various rates. Interest is calculated daily.

Term deposits bear fixed rates of interest for terms of up to five years. Interest can be paid annually, semi-annually, monthly or upon maturity.

The registered retirement savings plan (RRSP) accounts can be fixed or variable rates. The fixed rate RRSP's have terms and rates similar to the term deposit accounts described above.

Registered retirement income funds (RRIFs) consist of both fixed and variable rate products with terms and conditions similar to those of the RRSP's described above. Members may make withdrawals from a RRIF account on a monthly, quarterly, semiannually or annual basis. The regular withdrawal amounts vary according to individual needs and statutory requirements.

The tax-free savings accounts (TFSA) can have a fixed or variable rate with terms and conditions similar to those of the RRSP's described above.

Fair Value

The estimated fair value of the demand deposits and variable rate deposits are assumed to be equal to book value as the interest rates on these loans and deposits re-price to market on a periodic basis. The estimated fair value of fixed rate deposits is determined by discounting the expected future cash flows of these deposits at current market rates for products with similar terms and credit risks.

10. Income Taxes

The components of income tax expense are:

	2023	2022
Income taxes - current (recovery)	$ 138,518	$ 97,399
Future income taxes	7,464	9,128
	$ 145,982	$ 106,527

11. Related Party Transactions

Salaries paid to directors and key management personnel having authority and responsibility for planning, directing and controlling the activities of the Credit Union were $167,573 (2022 - $160,482).

At December 31, 2023, the aggregate value of interest bearing personal and mortgage loans outstanding to directors, officers and employees totaled $1,439,946; (2022 - $1,743,340). These loans and deposits are on the same terms and conditions as have been accorded to all members of the Credit Union. The aggregate value of interest bearing deposits outstanding to directors, officers and employees totaled $3,172,148; (2022 - $3,455,582).

12. Financial Instrument Classification and Fair Value

The following table represents the carrying amount by classification.

	Fair Value through OCI	Amortized Cost Assets	Amortized Cost Liabilities
December 31, 2023			
Cash		$ 7,319,651	
Investments	$ 1,295,792		
Loans to members		70,634,628	
Other assets		912,823	
Members' deposits			$ 77,357,363
Other liabilities			655,490
	$ 1,295,792	$ 78,867,102	$ 78,012,853
December 31, 2022			
Cash		$ 10,163,900	
Investments	$ 1,324,802		
Loans to members		66,087,916	
Other assets		430,845	
Members' deposits			$ 75,926,309
Other Liabilities			662,164
	$ 1,324,802	$ 76,682,661	$ 76,588,473

EasternEdge Credit Union Limited
Notes to the Financial Statements

December 31, 2023

12. Financial Instrument Classification and Fair Value (Continued)

Capital Adequacy/Capital Management

Pursuant to S.22 of the regulations related to the Credit Union Act, a Credit Union shall maintain a capital adequacy reserve of 5% of total assets consisting of share capital and retained earnings. The minimum retained earnings amount is 3% of total assets. The maximum share capital to be used in the determination of capital adequacy is 2% of total assets. As outlined below, the Credit Union was in compliance with the requirement as at December 31, 2023. During 2011 the Credit Union received a stock dividend in the amount of $51,000. This amount is included in retained earnings.

	2023	2022
Required capital per regulations:		
5% of total assets	$ 4,110,910	$ 4,005,824
Actual capital		
Retained Earnings	4,205,341	3,528,005
Adjustment for stock dividend	(51,000)	(51,000)
Equity incentive shares		890,500
Equity shares	248,048	253,218
	4,402,389	4,620,723
Excess capital	$ 291,479	$ 614,899

13. Financial Instrument Risk Management

General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Credit Union's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Credit Union's key management personnel. The Board of Directors receives quarterly reports from the Credit Union's management through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

Credit Risk

Credit risk is the risk of financial loss to the Credit Union if a counterparty to a financial instrument fails to make payments of interest and principal when due. The Credit Union is exposed to credit risk from claims against a debtor or indirectly from claims against a guarantor of credit obligations.

Risk Management

Credit risk rating systems are designed to assess and quantify the risk inherent in credit activities in an accurate and consistent manner. To assess credit risk, the Credit Union takes into consideration the member's character, ability to pay, and value of collateral available to secure the loan.

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Notes to the Financial Statements

December 31, 2023

13. Financial Instrument Risk Management (Continued)

The Credit Union's credit risk management principles are guided by its overall risk management principles. The Board of Directors ensures that management has a framework, policies, processes and procedures in place to manage credit risks and that the overall credit risk policies are complied with, at the business and transaction level.

Liquidity Risk

Liquidity risk is the risk that the Credit Union will not be able to meet all cash outflow obligations as they come due. The Credit Union mitigates this risk by monitoring cash activities and expected outflows so as to meet all cash outflow obligations as they fall due.

Risk Measurement

The assessment of the Credit Union's liquidity position reflects management's estimates, assumptions and judgments pertaining to current and prospective firm specific and market conditions and the related behaviour of its members and counterparts.

Objectives, Policies and Procedures

The Credit Union's liquidity management framework is designed to ensure that adequate sources of reliable and cost effective cash or its equivalents are continually available to satisfy its current and prospective financial commitments under normal and contemplated stress conditions.

Provisions of the Credit Union Act require the Credit Union to maintain a prudent amount of liquid assets in order to meet member withdrawals. The Credit Union has set a minimum liquidity ratio of 6%.

The Credit Union manages liquidity risk by:
- Continuously monitoring actual daily cash flows and longer term forecasted cash flows;
- Monitoring the maturity profiles of financial assets and liabilities;
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities; and
- Monitoring the liquidity ratios monthly.

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

EasternEdge Credit Union Limited
Notes to the Financial Statements

December 31, 2023

13. Financial Instrument Risk Management (Continued)

Liquidity Requirement

As at December 31, 2023, the position of the Credit Union is as follows:

Maximum Exposure	2023	2022
Qualifying liquid assets on hand		
Cash and cash equivalents	$ 1,116,559	$ 1,238,447
Liquidity reserve deposit	4,641,273	4,688,086
Other deposits and term deposits maturing within one year	1,561,819	4,237,367
	7,319,651	10,163,900
Total liquidity requirement	4,641,442	4,555,579
Excess liquidity	$ 2,678,209	$ 5,608,321

The maturities of liabilities are shown below under market risk. The Credit Union has no material commitments for capital expenditures and there is no need for such expenditures in the normal course of business.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: interest rate risk, currency risk, and equity risk.

Interest Rate Risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. The Credit Union is exposed to this risk through traditional banking activities, such as deposit taking and lending.

The Credit Union's goal is to manage the interest rate risk of the statement of financial position to a target level. The Credit Union continually monitors the effectiveness of its interest rate mitigation activities.

The following schedule shows the Credit Union's sensitivity to interest rate changes. A significant amount of loans and deposits can be settled before maturity on payment of a penalty, but no adjustment has been made for payments that may occur prior to maturity. Amounts that are not interest sensitive have been grouped together regardless of maturity.

Risk Measurement

The Credit Union's position is measured quarterly. Measurement of risk is based on rates charged to members as well as funds transfer pricing rates.

13. Financial Instrument Risk Management (Continued)

Objectives, Policies and Procedures

The Credit Union's major source of income is financial margin, the difference between interest earned on investments and member loans and interest paid on member deposits. The objective of asset/liability management is to match interest sensitive assets with interest sensitive liabilities as to amount and as to term to their interest rate repricing dates, thus minimizing fluctuations of income during periods of changing interest rates.

Schedules of matching and interest rate vulnerability are regularly prepared and monitored by Credit Union's management.

Maturity dates interest sensitive	Assets	Yield (%)	Liabilities	Cost (%)	Asset / Liability Gap
Variable	$ 17,627,609	8.18	$ 22,125,192	0.71	$ (4,497,583)
0-3 months	4,602,304	4.14	7,911,895	3.50	(3,309,591)
4-6 months	2,838,775	3.80	3,545,270	3.29	(706,495)
1 year	7,931,798	3.87	7,798,322	3.46	133,476
2 years	10,691,104	4.18	11,863,066	3.81	(1,171,962)
3 years	13,833,360	4.05	6,755,383	4.00	7,077,977
4 years	16,113,115	4.10	4,627,852	3.62	11,485,263
5 years	4,635,432	5.68	2,873,241	4.43	1,762,191
> 5 years	463,548	6.54			463,548
	78,737,045		67,500,221		11,236,824
Non interest sensitive	3,481,149		10,512,632		(7,031,483)
Total	$ 82,218,194		$ 78,012,853		$ 4,205,341

Interest sensitive assets and liabilities cannot normally be perfectly matched by amount and term to maturity. The Credit Union can utilize interest rate swaps in managing this rate gap. One of the roles of a Credit Union is to intermediate between the expectations of borrowers and depositors.

If applying a simple interest calculation to the above schedule, with the exclusion of any assumptions regarding shock reduction adjustments, the effect of the Credit Union's risk resulting from an increase in interest rates of 1% on all interest sensitive instruments could result in an increase to net income of approximately $71,029 while a decrease of interest rates of 1% could result in a decrease to net income of approximately $71,029.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

EasternEdge Credit Union Limited
Notes to the Financial Statements

December 31, 2023

14. Other Income

	2023	2022
Referral fees	$ 91,558	$ 114,968
Service charges and fees	353,146	365,779
	$ 444,704	$ 480,747

15. Members' Security

	2023	2022
Bad debt expense	$ (134,824)	$ 7,359
Asset and liability management fees	8,824	8,000
Credit Union Deposit Guarantee Corporation assessment	114,183	116,235
Insurance	22,617	22,028
	$ 10,800	$ 153,622

16. General Business Expenses

	2023	2022
Advertising and promotion	$ 43,846	$ 41,606
Amortization	73,272	78,185
Bank charges	59,526	43,581
Transaction and interac fees	32,859	30,416
Business and property tax	89,880	83,440
Cash short (over)	1,079	174
Cheque supplies		680
EDP fees	226,288	207,725
Directors and committees	2,624	18,055
Credit assessment fees	2,772	6,107
Courier	193	162
Donations	11,982	14,598
Mastercard service charges		1,133
Office expenses	20,903	34,759
Occupancy costs - other	105,832	98,877
Other	2,071	3,357
Professional fees	37,382	43,486
Assessment dues - Atlantic Central	72,919	69,782
Amalgamation	26,808	10,511
Security	7,120	8,640
Service contracts	41,121	12,698
Telephone	17,446	17,438
Travel and training	49,919	16,250
	$ 925,842	$ 841,660

17. Commitments

Credit Facilities

The Credit Union has an authorized line of credit with Atlantic Central totalling $2,003,000 bearing interest at the rate of 7.2%. These borrowings are secured by a general assignment of book debts. The line of credit balance used at December 31, 2023 is $NIL (2022 - $NIL).

Member loans

The Credit Union has the following commitments to its members at the year-end date on account of loans, unused lines of credit and letters of credit:

	December 31 2023	December 31 2022
Unadvanced loans	$ 1,818,311	$ 1,742,844
Unused lines of credit (loan)	$ 7,832,382	$ 7,262,853
Unused lines of credit (chequing)	$ 2,884.351	$ 2,956,964

Prepaid asset, service contract costs

The Credit Union is participating in a cost sharing arrangement to fund the costs for platform development related to a cloud computing service contract. In accordance with IFRS Interpretations Committee release, March 2019, these costs are related to the service contract and will be recorded as an expense over the contract term. The cloud computing platform development project is known as the Honeybee Mission. The Credit Union has agreed to provide funding in the amount of $752,769. The committed cash outlays to fund the prepaid service contract costs are as follows; 2022 - $338,746 ; 2023 - $188,192 and 2024 - $225,831.

18. Comparative amounts

Certain comparative amounts may have been reclassified to conform with the financial statement presentation adopted for the current year.

19. Subsequent event

On January 1, 2024 the corporation amalgamated with Atlantic Edge Credit Union.

Hamilton Sound Credit Union Limited
Financial Statements

December 31, 2023

BYRON SMITH
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

CONTENTS

BYRON SMITH
CHARTERED PROFESSIONAL ACCOUNTANTS

Byron D. Smith
B. Comm., C.F.E., FCPA, FCA

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INDEPENDENT AUDITOR'S REPORT

To the Members of:
Hamilton Sound Credit Union Limited

Opinion

I have audited the financial statements of Hamilton Sound Credit Union Limited, which comprise the statement of financial position as at December 31, 2023, the statement of comprehensive income, the statement of changes in members' equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy information.

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

Basis for Opinion

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

Other Matter

On January 1, 2024 the Hamilton Sound Credit Union Limited amalgamated with the Atlantic Edge Credit Union, see note 1 for more information.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.

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

I 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 I identify during my audit.

Spaniard's Bay, NL
March 26, 2024

Bryan Smith
CHARTERED PROFESSIONAL ACCOUNTANT

Hamilton Sound Credit Union Limited
Statement of Financial Position

As at December 31,	2023	2022
Assets		
Cash and cash equivalents	$ 854,160	$ 946,424
Deposits - interest bearing and liquidity accounts (Note 4)	3,474,844	3,983,996
Investments (Note 4)	4,710,320	9,282,191
Loans and mortgages receivable (Note 6)	40,175,293	37,611,041
Other assets (Note 8)	795,601	329,492
Property, plant and equipment (Note 7)	1,075,228	1,104,964
	$ 51,085,446	$ 53,258,108
Liabilities		
Accounts payable and accrued liabilities	$ 472,352	$ 390,413
Members' deposits (Note 9)	47,934,256	50,515,301
Current income taxes payable	4,876	31,731
Future income taxes payable	16,807	6,627
	48,428,291	50,944,072
Members' Equity		
Retained Earnings	2,657,155	2,314,036
	$ 51,085,446	$ 53,258,108

Approved by the Board:

Dan Sheaves
Dan Sheaves (Apr 10, 2024 15:54 ADT) Director

Paul Newman
Paul Newman (Apr 10, 2024 14:52 EDT) Director

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

Hamilton Sound Credit Union Limited
Statement of Comprehensive Income

For the Year Ended December 31,	2023	2022
Financial Revenue		
Interest	$ 2,537,032	$ 2,139,367
Investment income	368,319	279,740
	2,905,351	2,419,107
Cost of Funds		
Interest on members' deposits	(707,730)	(450,440)
Financial Margin	2,197,621	1,968,667
Other income		
Commissions	178,312	205,277
Other (Note 14)	417,763	402,640
	2,793,696	2,576,584
Operating Expenses		
Members' security (Note 15)	121,577	137,746
General business expense (Note 16)	1,017,092	975,131
Personnel	1,265,122	1,195,739
	2,403,791	2,308,616
Net income before income taxes	389,905	267,968
Income taxes		
- future income taxes (recovery) (Note 10)	10,180	6,427
- current income taxes (recovery) (Note 10)	36,606	31,731
Total Comprehensive Income	$ 343,119	$ 229,810

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

Hamilton Sound Credit Union Limited
Statement of Changes in Members' Equity

For the Year Ended December 31,	2023	2022
Retained earnings, beginning of year	$ 2,314,036	$ 2,084,226
Total Comprehensive Income	343,119	229,810
Retained earnings, end of year	$ 2,657,155	$ 2,314,036

Retained earnings is comprised of the following:		
Retained earnings from operations	$ 2,628,155	$ 2,285,036
Stock dividend	29,000	29,000
	$ 2,657,155	$ 2,314,036

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

Hamilton Sound Credit Union Limited
Statement of Cash Flows

For the Year Ended December 31,	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Activities		
Net income	$ 343,119	$ 229,810
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization	46,312	60,446
	389,431	290,256
Change in assets and liabilities:		
Accounts payable and accrued liabilities	81,938	296,281
Current income taxes payable	(26,855)	53,220
Future income taxes payable	10,180	6,427
Prepaid Expenses	(466,109)	(321,013)
Net cash provided by operating activities	(11,415)	325,171
Cash Flows from Financing Activities		
Increase (decrease) in members' deposits	(2,581,045)	842,697
Cash Flows from Investing Activities		
Increase in investments	4,571,871	(4,047,131)
Decrease (increase) in loans and mortgages receivable	(2,564,252)	(2,003,285)
Increase in capital assets	(16,575)	(3,593)
Net cash provided by (used in) investing activities	1,991,044	(6,054,009)
Decrease in cash	(601,416)	(4,886,141)
Cash, beginning of year	4,930,420	9,816,561
Cash, end of year	$ 4,329,004	$ 4,930,420
Cash balances consist of:		
Cash and cash equivalents	$ 854,160	$ 946,424
Deposits - interest bearing and liquidity accounts	3,474,844	3,983,996
	$ 4,329,004	$ 4,930,420

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

Hamilton Sound Credit Union Limited
Notes to the Financial Statements

December 31, 2023

1. Nature of Operations and Basis of Presentation

Reporting Entity

The Credit Union is incorporated under the laws of the province of Newfoundland and Labrador and is subject to the provisions of the Credit Union Act/Regulations of the Province. The Credit Union is a member of Atlantic Central. The Credit Union operates as one operating segment in the loans and deposit taking industry in Newfoundland and Labrador. Products and services offered to its members include mortgages, personal and commercial loans, chequing and savings accounts, term deposits, RRSP's, RRIF's, mutual funds, automated banking machines (ABM's), debit and credit cards, internet and mobile banking.

On January 1, 2024 the Credit Union amalgamated with Atlantic Edge Credit Union to become branches of Atlantic Edge Credit Union.

Basis of Presentation

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

The financial statements for the year ended December 31, 2023 were authorized for issue by the Credit Union's Board of Directors on March 26 , 2024.

The Credit Union's functional and presentation currency is the Canadian dollar.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Credit Union's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

2. Material Accounting Policy Information

The IASB continues to make changes to IFRS to improve the overall quality of financial reporting. The Credit Union monitors IASB developments that are relevant to the Credit Union's financial reporting and accounting policies.

Prepaid Asset, Service Contract Costs

The Credit Union is participating in a cost sharing arrangement to fund the costs for platform development related to a cloud computing service contract. In accordance with IFRS Interpretations Committee release, March 2019, these costs are related to the service contract and will be recorded as an expense over the contract term. The contract period is expected to be for a ten year period beginning in 2024.

Financial Instruments

Effective January 1, 2018 the Credit Union adopted IFRS 9 - Financial Instruments ("IFRS 9"), which replaces IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 addresses classification and measurement, impairment, and hedge accounting.

The impact to Members' equity at January 1, 2018 was a decrease of $193,708 reported in retained earnings, related to the impairment requirements of the standard. As permitted by IFRS 9, prior periods have not been restated.

Hamilton Sound Credit Union Limited
Notes to the Financial Statements

December 31, 2023

2. Material Accounting Policy Information (Continued)

a) Classification and Measurement:

IFRS 9 provides a single model for financial asset classification and measurement that is based on both the business model for managing financial assets and the contractual cash flow characteristics of the financial assets. These factors determine whether the financial assets are measured at amortized cost, fair value through other comprehensive income, or fair value through profit or loss.

The following summarizes the key aspects resulting from IFRS 9:

- "Amortized cost" financial asset category was introduced replacing the loans and receivables ("L&R") classification. It applies to debt instruments whose contractual cash flow characteristics are solely payments of principal and interest ("SPPI") and that are held in a business model whose objective is to hold the assets to collect contractual cash flows.
- "Fair value through other comprehensive income" ("FVOCI") financial asset category was introduced. It applies to debt instruments that meet the SPPI test where the business model's objective is achieved by collecting contractual cash flows and by selling the assets. These assets may be sold in response to or in anticipation of changes in interest rates, changes in credit risk, changes in funding sources or terms, or to meet liquidity needs.
- Debt instruments that are managed on a "held for trading" or "fair value" basis are classified as fair value through profit or loss ("FVTPL").
- Equity instruments are measured at FVTPL, unless the asset is not held for trading purposes and we make an irrevocable election to designate the asset as FVOCI. This election is made on an instrument-by-instrument basis and must be made upon initial recognition.

The Credit Union considers the following in their determination of the applicable business model for financial assets:

- The business purpose of the portfolio – such as a focus on earning contractual interest income or a focus on matching the duration of the liabilities that are funding the assets;
- The risks that are being managed and the type of activities that are carried out on a day-to-day basis to manage the risks;
- The basis on which performance of the portfolio is being evaluated; and
- The frequency and significance of sales activity in prior periods, and expectations about future sales activity.

The classification and measurement of financial liabilities remain essentially unchanged under IFRS 9, except for financial liabilities designated as measured at fair value through profit or loss.

b) Impairment:

IFRS 9 provides a single impairment model for financial assets that requires the recognition of expected credit losses (ECL). The new ECL model results in an allowance for credit losses being recorded on financial assets regardless of whether there has been an actual impairment.

Under IFRS 9, the ECL model, which is forward-looking, also requires that forecasts of future events and economic conditions be used when determining significant increases in credit risk and when measuring expected losses. Forward-looking macroeconomic factors such as unemployment rates, housing price indexes, interest rates, and household disposable income are considered in the assessment of ECL.

Hamilton Sound Credit Union Limited
Notes to the Financial Statements

December 31, 2023

2. Material Accounting Policy Information (Continued)

Expected credit losses are based on a range of possible outcomes and consider all available reasonable and supportable information including internal and external ratings, historical credit loss experience, and expectations about future cash flows. The measurement of expected credit losses is based primarily on the following components:

- Exposure at Default (EAD) – an estimate of the loan exposure amount at a future default date (this amount does not consider the underlying collateral, or mortgage insurance).
- Probability of Default (PD) - an estimate of the likelihood of default over a given time horizon.
- Loss Given Default (LGD) - an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due on the loan, and those that the lender would expect to receive, including cash flows from any collateral or, in the case of insured mortgages, the proceeds from the insurance claim.

The ECL model measures credit loss allowances using a three-stage approach based on the extent of credit deterioration since origination:

- Stage 1 – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. In assessing whether credit risk has increased significantly, we compare the risk of a default occurring on the financial instrument as at the reporting date, with the risk of a default occurring on the financial instrument as at the date of its initial recognition.
- Stage 2 – When a financial instrument experiences a SICR after origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.
- Stage 3 – Financial instruments that we have classified as impaired are included in this stage. Evidence of impairment includes indications that the borrower is experiencing significant financial difficulties, or a default or delinquency has occurred. As with Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

Significant judgment is required in making assumptions and estimations when calculating ECL, including determination of significant increases in credit risk, and the application of forward-looking information. The underlying assumptions and estimates may result in changes to the provisions from period to period.

IFRS 9 requires consideration of past events, current market conditions and reasonable supportable information about future economic conditions, in determining whether there has been a significant increase in credit risk and in calculating the amount of expected losses.

Changes in the required ECL allowance, including the impact of financial instruments migrating between stage 1 and stage 2, are recorded in the provision for credit losses in the statement of comprehensive income.

2. Material Accounting Policy Information (Continued)

c) Hedge Accounting:

IFRS 9 introduces a new hedge accounting model that aligns the accounting for hedge relationships more closely with an entity's risk management activities.

Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits with Atlantic Central, other short-term highly liquid investments with original maturities of three months or less; and for the purpose of the statement of cash flows, bank overdrafts that are repayable on demand.

Cash and cash equivalents are classified as loans and receivables and are carried at amortized cost, which is equivalent to fair value.

Investments

Central Deposits

These deposit instruments are classified as loans and receivables and are initially measured at fair value plus transaction costs that are directly attributable to their acquisition. Subsequently they are carried at amortized cost, which approximates fair value.

Equity Instruments

These instruments are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition. Subsequently they are carried at fair value, unless they do not have a quoted market price in an active market and fair value is not reliably determinable in which case they are carried at amortized cost.

Changes in fair value, except for those arising from interest calculated using the effective interest rate, are recognized as a separate component of other comprehensive income.

Where there is a significant or prolonged decline in the fair value of an equity instrument (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive income, is recognized in net income.

Purchases and sales of equity instruments are recognized on settlement date with any change in fair value between trade date and settlement date being recognized in accumulated other comprehensive income.

On sale, the amount held in accumulated other comprehensive income associated with that instrument is removed from equity and recognized in net income.

2. Material Accounting Policy Information (Continued)

Derivative Financial Instruments

Hedges

The Credit Union did not engage in any material derivative financial instruments.

The Credit Union, in accordance with its risk management strategies, may enter into various derivative financial instruments to protect itself against the risk of fluctuations in interest rates.

The Credit Union manages interest rate risk through interest rate swaps. These derivatives are carried at fair value and are reported as assets where they have a positive fair value and as liabilities where they have a negative fair value, in both cases shown on the Statement of Financial Position.

Hedge accounting is applied to financial assets and financial liabilities only where all of the following criteria are met:

- At the inception of the hedge there is formal designation and documentation of the hedging relationship and the Credit Union's risk management objective and strategy for undertaking the hedge;
- For cash flow hedges, the hedged item in a forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss;
- The effectiveness of the hedge can be reliably measured; and
- The hedge is expected to be highly effective at inception and remains highly effective on each date it is tested. The Credit Union has chosen to test the effectiveness of its hedges on a quarterly basis.

The swap contracts can be designated as fair value hedge instruments or cash flow hedge instruments. The Credit Union has not entered into any fair value hedges at this time.

Cash flow hedges modify exposure to variability in cash flows for variable rate interest bearing instruments or the forecasted assurance of fixed rate liabilities. The Credit Union's cash flow hedges are primarily hedges of floating rate deposits as well as commercial and personal loans.

For cash flow hedges that meet the hedging documentation criteria, gains and losses resulting from changes in the fair value of the effective portion of the derivative instrument are recorded in other comprehensive income until the hedged item is recognized in income, at which time such change is recognized as interest income. The ineffective portion is recognized immediately in income as other income.

If the Credit Union closes out its hedge position early, the cumulative gains and losses recognized in other comprehensive income are frozen and reclassified from the cash flow hedge reserve to profit or loss using the effective interest method. The ineffective portion of gains and losses on derivatives used to manage cash flow interest rate risk are recognized in net income within interest expense or interest revenue.

2. Material Accounting Policy Information (Continued)

Other Non-Hedge Derivatives

The Credit Union may designate certain financial assets upon initial recognition as at fair value through profit or loss (fair value option). Financial instruments included in this category are the embedded derivatives and derivatives related to index linked term deposits and interest rate swaps not designated as hedging instruments.

These instruments are measured at fair value, both initially and subsequently. The related transaction costs are expensed. Gains and losses arising from changes in fair value of these instruments are recorded in net income.

Member Loans

All member loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and have been classified as loans and receivables.

Member loans are initially measured at fair value, net of loan origination fees and inclusive of transaction costs incurred.

Member loans are subsequently measured at amortized cost, using the effective interest rate method, less any impairment losses.

Loans to members are reported at their recoverable amount representing the aggregate amount of principal, less any allowance or provision for impaired loans plus accrued interest. Interest is accounted for on the accrual basis for all loans.

If there is objective evidence that an impairment loss on member loans carried at amortized cost has incurred, the amount of the loss is measured as the difference between the loans carrying amount and the present value of expected cash flows discounted at the loans original effective interest rate, short-term balances are not discounted.

The Credit Union first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. The expected future cash outflows for a group of financial assets with similar credit risk characteristics are estimated based on historical loss experience.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in net income.

Bad Debts Written Off

Bad debts are written off from time to time as determined by management and approved by the Board of Directors when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off against the provisions for impairment, if a provision for impairment had previously been recognized. If no provision had been recognized, the write offs are recognized as expenses in net income.

Hamilton Sound Credit Union Limited
Notes to the Financial Statements

December 31, 2023

2. Material Accounting Policy Information (Continued)

Property, Plant and Equipment

Property, plant and equipment is initially recorded at cost. Amortization is calculated as set out below, based on the estimated useful lives of the assets. No amortization is taken on assets purchased that have not been put into use during the year.

Buildings	- straight line over 25 years
Leasehold improvements	- straight line over 5 years
Furniture and equipment	- straight line over 5 years
Pavement	- straight line over 12 years
Computer equipment	- straight line over 3 years

Amortization methods, useful lives and residual values are reviewed annually and adjusted if necessary.

Impairment of Non-Financial Assets

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows.

Impairment charges are included in net income, except to the extent they reverse gains previously recognized in other comprehensive income.

Income Taxes

Income tax expense comprises current and future tax. Current tax and future tax are recognized in net income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Future 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 profit or loss.

Recognition of future 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 would allow the future tax asset to be utilized. Future 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.

The amount of the future tax asset or liability is measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date and are expected to apply when the liabilities (assets) are settled (recovered).

Hamilton Sound Credit Union Limited
Notes to the Financial Statements

December 31, 2023

2. Material Accounting Policy Information (Continued)

Members' Deposits

All members' deposits are initially measured at fair value, net of any transaction costs directly attributable to the issuance of the instrument.

Members' deposits are subsequently measured at amortized cost, using the effective interest rate method.

Accounts Payable and Other Payables

Liabilities for trade creditors and other payables are classified as other financial liabilities and initially measured at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method.

Provisions

Provisions are recognized for liabilities of uncertain timing or amounts that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

Members' Shares

Members' shares issued by the Credit Union are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

Shares that contain redemption features subject to the Credit Union maintaining adequate regulatory capital are accounted for using the partial treatment requirements of IFRIC 2 *Members' Shares in Co-operative Entities and Similar Instruments.*

Revenue Recognition

Interest income is accrued on a daily basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Dividend income is recognized when the right to receive payment is established. Dividends are included in interest income on the statement of comprehensive income. Other income is recognized over the period the services are performed.

Revenue from Contracts with Customers

The IFRS 15 standard is a control-based model that focuses on risk and rewards. Under this standard, revenue is recognized when a customer obtains control of a good or service.

Transfer of control occurs when the customer can direct the use of and obtain the benefits of the good or service. The standard introduces a new five step model governing revenue recognition to be applied to contracts with customers. The Credit Union must also determine whether its performance obligation is to provide the service itself (i.e. the Credit Union acts as a principal) or to arrange another party to provide the service (i.e. the Credit Union acts as an agent).

This guidance includes a five-step, principles-based recognition and measurement approach, as well as requirements for accounting for contract costs, and additional disclosures about the nature, amount, timing and uncertainty of revenues and cash flows arising from transactions with customers.

Hamilton Sound Credit Union Limited
Notes to the Financial Statements

December 31, 2023

2. Material Accounting Policy Information (Continued)

Patronage Distributions

Patronage distributions are recognized in net income when circumstances indicate the Credit Union has a constructive obligation it has little or no discretion to avoid, and it can make a reasonable estimate of the amount required to settle the obligation.

Foreign Currency Translation

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that day. At the year-end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the year-end date and the related translation differences are recognized in net income. Exchange gains and losses arising on the retranslation of monetary financial assets are treated as a separate component of the change in fair value and recognized in net income. Exchange gains and losses on non-monetary financial assets form part of the overall gain or loss recognized in respect of the financial instrument.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net income or other comprehensive income consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

Standards, Amendments and Interpretations Not Yet Effective

The following new standards, amendments and interpretations, which have not been applied in these financial statements, that will or may have an effect on the Credit Union's future financial statements are:

- Amendments to IAS 1 were issued on January 23, 2020 with an effective date of January 1, 2024. The amendment in Classification of Liabilities as Current or Non-Current affect only the presentation of liabilities in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expense, or the information that entities disclose about those items.

There are no other IFRS or IFRIC interpretations that are not yet effective that would have a material impact on the Credit Union's future financial statements.

2. Material Accounting Policy Information (Continued)

Accounting Estimates and Judgements

Use of Estimates

The Credit Union makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both.

The estimates and assumptions that have significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair Value of Financial Instruments

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

The methods and assumptions applied, and the valuation techniques used, for financial instruments that are not quoted in an active market are disclosed in Note 4.

Member Loan Loss Provision

In determining whether an impairment loss should be recorded in the statement of comprehensive income the Credit Union makes judgement on whether objective evidence of impairment exists individually for financial assets that are individually significant. Where this does not exist the Credit Union uses its judgement to group member loans with similar credit risk characteristics to allow a collective assessment of the group to determine any impairment loss.

In determining the collective loan loss provision Management uses estimates based on historical loss experience for assets with similar credit risk characteristics and objective evidence of impairment. Further details on the estimates used to determine the allowance for impaired loans collective provision are provided further along in Note 2 and Note 6.

The Credit Union business model is to hold financial assets in the form of loans for the objective of collection of contractual cash flows of solely payments of principal and interest. The Credit Union assesses on a forward-looking basis the expected credit losses (ECL) associated with its Member loans and commitments. The Credit Union recognized a loss allowance for such losses at each reporting date. The measurement of ECL reflects, an unbiased and probability-weighted amount, the time value of money and reasonable and supportable information that is available without undue cost at the reporting date about past events, current conditions and future economic indicators.

Hamilton Sound Credit Union Limited
Notes to the Financial Statements

December 31, 2023

2. Material Accounting Policy Information (Continued)

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 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.

Financial Instruments

Financial assets and liabilities are initially recognized at fair value and are subsequently accounted for based on their classification as detailed below. The following table presents the classifications of financial assets and financial liabilities in accordance with IFRS 9:

Classification under:	IFRS 9
Cash and cash equivalents	Amortized cost
Investments – debt instruments	FVOCI
Investments – equity instruments	FVOCI elected
Other assets	Amortized cost
Loans and mortgages	Amortized cost
Member deposits	Amortized cost

A financial asset is derecognized when the contractual rights to the cash flows from the asset have expired, or the Credit Union transfers the contractual rights to receive the cash flows from the asset, or has assumed an obligation to pay those cash flows to a third party and the Credit Union has transferred substantially all of the risks and rewards of ownership of that asset to a third party. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Changes in fair values of financial assets and financial liabilities classified as FVTPL are reported in earnings, while the changes in value of FVOCI financial assets are reported within other comprehensive income (OCI) until the financial asset is disposed of or becomes impaired.

Accumulated OCI is reported on the statement of financial position as a separate component of Members' Equity. It includes, on a net of taxes basis, the net unrealized gains and losses on FVOCI financial assets.

Hamilton Sound Credit Union Limited
Notes to the Financial Statements

December 31, 2023

3. Cash and Cash Equivalents

The Credit Union's cash and current accounts are held with Atlantic Central. The average yield on the accounts at December 31, 2023 is 4.50% (2022 - 3.37%).

4. Investments

The following tables provide information on investments by type of security and issuer. The maximum exposure to credit risk would be the fair value as detailed below.

Deposits - interest bearing and liquidity accounts

	2023	2022
Atlantic Central Liquidity reserve deposits	$ 3,474,844	$ 3,983,996

The Credit Union must maintain liquidity reserves with Atlantic Central at not less than 6% of total deposits in, and borrowings of, the Credit Union, in accordance with legislation. Note 13 provides the Credit Union's position in this regard. The deposits can be withdrawn only of there is a sufficient reduction in the Credit Union's total deposit and borrowings or upon withdrawal of membership from Atlantic Central. The liquidity reserves are due within one year. At maturity, these deposits are reinvested at market rates for various terms.

Discount deposits at Atlantic Central are due within one year. The carrying amounts for deposits at Atlantic Central approximates fair value due to having similar characteristics as cash and cash equivalents.

Equity Instruments	2023	2022
Atlantic Central Common Shares	$ 496,690	$ 512,090
Atlantic Central Class B	63,000	63,000
Atlantic Central NL Shares	29,000	29,000
Concentra Shares	10	10
League Savings and Mortgage Company Shares	74,310	74,310
League Data Company Shares	14,120	14,120
Concentra Preferred Shares	1,000,000	1,000,000
Total Equity Instruments	1,677,130	1,692,530
Accrued Interest and Other Deposits		
Accrued Interest	33,190	80,686
Term deposits	3,000,000	7,508,975
	3,033,190	7,589,661
Total Investments	$ 4,710,320	$ 9,282,191

The shares in Atlantic Central are required as a condition of membership and are redeemable upon withdrawal of membership or at the discretion of the Board of Directors of Atlantic Central. In addition, the member Credit Unions are subject to additional capital calls at the discretion of the Board of Directors.

Atlantic Central shares are subject to an annual rebalancing mechanism and are issued and redeemable at par value. There is no separately quoted market value for these shares however, fair value is determined to be equivalent to the par value due to the fact transactions occur at par value on a regular and recurring basis.

Hamilton Sound Credit Union Limited
Notes to the Financial Statements

December 31, 2023

4. Investments (Continued)

League Savings and Mortgage Company is a member of the Atlantic Central Group. There is no separately quoted market value for these shares and the fair value could not be measured reliably. Therefore, they are recorded at cost.

League Data Company is owned by the Credit Unions of Atlantic Canada.

The Credit Union is not intending to dispose of any Atlantic Central or League Data Company shares as the services supplied by these entities are relevant to the day to day activities of the Credit Union.

Dividends on these shares are at the discretion of the Board of Directors of Atlantic Central and League Data Company.

5. Derivative Financial Instruments

The Credit Union has not entered into any derivative financial instruments.

6. Loans and Mortgages Receivable

	2023	2022
Current loans	$ 23,969,513	$ 21,849,414
Current mortgages	15,807,835	15,687,244
Impaired loans and mortgages	637,993	362,343
	40,415,340	37,899,001
Less: allowance for impaired loans	(240,047)	(287,960)
Net loans and mortgages receivable	$ 40,175,293	$ 37,611,041

Current loans include prepaid transaction costs (referral fees) as follows: 2023 - $227,242; 2022 - $162,198. Transaction costs are included with current loans in accordance with the effective interest rate method.

Total allowance for impaired loan provision is comprised solely of individual specific provisions:

	2023	2022
Balance, beginning of year	$ 287,960	$ 348,298
Loans written off as uncollectible	(56,536)	(117,087)
Amounts collected on prior year write offs		40,952
	231,424	272,163
Additional provision (recovery)	8,623	15,797
Balance, end of year	$ 240,047	$ 287,960

The number of loans outstanding at December 31 has been summarized as follows:

	2023	2022
Current loans	1,867	1,904
Current mortgages	180	175
Impaired loans and mortgages	17	16
	2,064	2,095

Hamilton Sound Credit Union Limited
Notes to the Financial Statements

December 31, 2023

6. Loans and Mortgages Receivable (Continued)

Analysis of individual loans that are impaired or potentially impaired based on age of repayments outstanding.

	December 31, 2023		December 31, 2022	
	Carrying Value	Individual Specific Provision	Carrying Value	Individual Specific Provision
Period of delinquency				
Less than 90 days	$ 300,679	$ 55,866	$ 153,724	$ 18,034
Over 90 days	337,314	38,584	208,619	61,093
Total loans in arrears	637,993	94,450	362,343	79,127
Total loans not in arrears	39,777,347	145,597	37,536,658	208,833
Total loans	$ 40,415,340	$ 240,047	$ 37,899,001	$ 287,960

Terms and Conditions

Member loans can have either a variable or fixed rate of interest and they mature within five to seven years.

Some variable rate loans are based on a "prime rate" formula. The rate is determined by the type of security offered and the member's credit worthiness.

The interest rate on fixed rate loans being advanced at December 31, varies with the type of security offered and the member's credit worthiness.

Current mortgages are loans that are secured by residential property and are generally repayable monthly with either blended payments of principal and interest or interest only.

Current loans consist of personal term loans, commercial loans, member overdrafts and lines of credit that are non real estate secured and, as such, have various repayment terms. Some of the current loans are secured by personal property and equipment or investments, and a general security agreement or conditional sales contracts.

Average Yields to Maturity

Loans bear interest at both variable and fixed rates with the following average yields at:

	Principal	2023 Yield	Principal	2022 Yield
Variable rate	$ 4,941,068	7.39%	$ 4,533,513	6.78%
Fixed rate	35,474,272	5.99%	33,365,488	5.24%
	$ 40,415,340		$ 37,899,001	

Hamilton Sound Credit Union Limited
Notes to the Financial Statements

December 31, 2023

6. Loans and Mortgages Receivable (Continued)

Credit Quality of Loans

The following table sets out information about the credit quality of loans and mortgages measured at amortized cost.

	Normal Risk Stage 1	Watch List Stage 2	Credit-Impaired Stage 3	2023 Total	2022 Total
Insured Mortgages	$ 1,756,976			$ 1,756,976	$ 1,225,726
Uninsured Mortgages	14,050,859	$ 203,682	$ 167,430	14,421,971	14,645,057
Personal Loans	22,068,524	90,543	169,884	22,328,951	19,877,487
Commercial Loans					
Lines of Credit	1,900,988	6,454		1,907,442	2,150,731
Subtotal loans advanced	39,777,347	300,679	337,314	40,415,340	37,899,001
Unused Lines of Credit	2,395,309			2,395,309	2,109,059
Total	42,172,656	300,679	337,314	42,810,649	40,008,060
Allowance for Doubtful Accounts	145,597	55,866	38,584	240,047	287,960
Total loans and commitments	$ 42,027,059	$ 244,813	$ 298,730	$ 42,570,602	$ 39,720,100

It is not practical to value all collateral as at the statement of financial position date due to the variety of assets and conditions. A breakdown of the security held on a portfolio basis is as follows:

	2023	2022
Unsecured loans	$ 3,276,089	$ 3,021,508
Loans secured by cash, members' deposits	$ 98,741	$ 87,763
Loans guaranteed by government	$ 216,265	$ 346,792

Fair Value

The estimated fair value of the variable rate loans is assumed to be equal to book value as the interest rates on these loans re-price to market on a periodic basis. The estimated fair value of fixed rate loans is determined by discounting the expected future cash flows at current market rates for products with similar terms and credit risks.

6. Loans and Mortgages Receivable (Continued)

Key Assumptions in Determining the Allowance for Impaired Loans Collective Provision

The Credit Union has determined the likely impairment loss on loans which have not maintained the loan repayments in accordance with the loan contract, or where there is other evidence of potential impairment such as industrial restructuring, job losses or economic circumstances. In identifying the impairment likely from these events the Credit Union estimates the potential impairment using the loan type, industry, geographical location, type of loan security, the length of time the loans are past due and the historical loss experience. The circumstances may vary for each loan over time, resulting in higher or lower impairment losses. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Credit Union to reduce any difference between loss estimates and actual loss experience.

An estimate of the collective provision is based on the period of repayments that are past due.

For purposes of the collective provision loans are classified into separate groups with similar risk characteristics, based on the type of product and type of security.

Definition of Default and Credit Impaired

The Credit Union defines a member loan in default and credit impaired when it meets one or more of the following criteria:

- The borrower is more than 90 days past due on its contractual payments.
- The borrower meets unlikeliness to pay criteria such as the borrower is deceased, insolvent, is in breach of financial covenants, other concessions have been made by the lender or it is becoming probable that the borrower will enter bankruptcy.

Following the general IFRS 9 impairment approach, credit loss allowance is measured using a three-stage approach as defined in Note 2.

Loss Allowance

The loss allowance recognized in the period is impacted by factors, such as: transfers between stage 1 and stages 2 or 3 due to member loans experiencing significant risk or becoming credit-impaired in the period and consequently step up (or step down) between 12 month and lifetime expected credit losses. Also, the impact on the measurement of ECL due to changes in the risk adjusted probability of default, exposure at default and the loss given default in the period, arising from regular refreshing of the inputs to models.

Hamilton Sound Credit Union Limited
Notes to the Financial Statements

December 31, 2023

6. Loans and Mortgages Receivable (Continued)

The table below explains the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at December 31, 2022	$ 208,833	$ 18,034	$ 61,093	$ 287,960
Transfers from stage 1 to stage 2		NIL		
Transfers from stage 2 to stage 3			NIL	
Remeasurement of loss allowance	(63,236)	37,832	34,027	8,623
Net change during the period	(63,236)	37,832	34,027	8,623
Write-offs in the year			56,536	56,536
Loss allowance as at December 31, 2023	$ 145,597	$ 55,866	$ 38,584	$ 240,047

Hamilton Sound Credit Union Limited
Notes to the Financial Statements

December 31, 2023

7. Property, Plant and Equipment

	Land	Buildings	Leasehold Improvements	Paving and Fence	Furniture and Fixtures	Total
Cost						
Balance on December 31, 2022	$ 47,168	$ 1,480,473		$ 175,438	$ 432,774	$ 2,135,854
Additions					16,575	16,575
Disposals						
Balance on December 31, 2023	47,168	1,480,473		175,438	449,349	2,152,429
Accumulated Amortization						
Balance on December 31, 2022		466,077		143,373	421,440	1,030,890
Amortization expense		33,219		2,331	10,760	46,311
Disposals						
Balance on December 31, 2023		499,296		145,704	432,201	1,077,201
Net Book Value						
December 31, 2022	$ 47,168	$ 1,014,396	$ NIL	$ 32,065	$ 11,334	$ 1,104,964
December 31, 2023	$ 47,168	$ 981,177	$ NIL	$ 29,734	$ 17,148	$ 1,075,228

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Notes to the Financial Statements

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8. Other Assets

	2023	2022
Prepaid expenses	$ 48,583	$ 12,303
Prepaid service contract (Honeybee Mission)	747,018	317,189
	$ 795,601	$ 329,492

9. Members' Deposits

	2023	2022
Chequing accounts	$ 13,868,902	$ 11,885,202
Savings	11,757,874	11,522,846
RRSP funds plus accrued interest	8,787,891	9,451,853
Plan 24 accounts	13,235,262	16,967,661
Equity share accounts	284,328	286,215
Special equity share accounts		401,524
	$ 47,934,256	$ 50,515,301

Terms and Conditions

Chequing deposits are due on demand.

Demand deposits (savings accounts) are due on demand and bear interest at various rates. Interest is calculated daily.

Term deposits bear fixed rates of interest for terms of up to five years. Interest can be paid annually, semiannually, monthly or upon maturity.

The registered retirement savings plan (RRSP) accounts can be fixed or variable rates. The fixed rate RRSP's have terms and rates similar to the term deposit accounts described above.

The tax-free savings accounts (TFSA's) can be fixed or variable rates with terms and conditions similar to those of the RRSP's described above.

Fair Value

The estimated fair value of the demand deposits and variable rate deposits are assumed to be equal to book value as the interest rates on these loans and deposits re-price to market on a periodic basis. The estimated fair value of fixed rate deposits is determined by discounting the expected future cash flows of these deposits at current market rates for products with similar terms and credit risks.

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Notes to the Financial Statements

December 31, 2023

10.Income Taxes

The components of income tax expense are:

	2023	2022
Income taxes - current (recovery)	$ 36,606	$ 31,731
Future income taxes (recovery) - on reversal of timing differences	10,180	6,427
	$ 46,786	$ 38,158

11.Related Party Transactions

Salaries paid to key management personnel having authority and responsibility for planning, directing and controlling the activities of the Credit Union were $157,704; (2022 - $219,167).

Renumeration paid to members of the board totaled $16,550; (2022 - $15,850) which was within the limit of $20,000 stated in section 1109A of the by laws.

At December 31, 2023, the aggregate value of interest bearing personal and mortgage loans outstanding to directors, officers and employees totaled $ 679,350; (2022 - $936,527). The aggregate value of interest bearing deposits outstanding to directors, officers and employees totaled $3,363,710; (2022 - $3,327,343). These loans and deposits are on the same terms and conditions as have been accorded to all members of the Credit Union.

12.Financial Instrument Classification and Fair Value

The following table represents the carrying amount by classification.

	Fair Value through OCI	Amortized Cost Assets	Amortized Cost Liabilities
December 31, 2023			
Cash		$ 4,329,004	
Investments	$ 4,710,320		
Loans to members		40,175,293	
Other assets		795,601	
Members' deposits			$ 47,934,256
Other liabilities			494,035
	$ 4,710,320	$ 45,299,898	$ 48,428,291
December 31, 2022			
Cash		$ 4,930,420	
Investments	$ 9,282,191		
Loans to members		37,611,041	
Other assets		329,492	
Members' deposits			$ 50,515,301
Other liabilities			428,771
	$ 9,282,191	$ 42,870,953	$ 50,944,072

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Notes to the Financial Statements

December 31, 2023

12.Financial Instrument Classification and Fair Value (Continued)

Capital Adequacy/Capital Management

Pursuant to S.22 of the regulations related to the Credit Union Act, a Credit Union shall maintain a capital adequacy reserve of 5% of total assets consisting of share capital and retained earnings. The minimum retained earnings amount is 3% of total assets. The maximum share capital to be used in the determination of capital adequacy is 2% of total assets. As outlined below, the Credit Union was in compliance with the requirement as at December 31, 2023. During 2011 the Credit Union received a stock dividend in the amount of $29,000. This amount is included in retained earnings.

	2023	2022
Required capital		
5% of total assets (regulatory)	$ 2,554,272	$ 2,662,905
Actual capital		
Retained Earnings	2,657,155	2,314,036
Adjustment for stock dividend	(29,000)	(29,000)
Equity shares	284,328	286,215
Special equity shares		401,524
	2,912,483	2,972,775
Excess capital	$ 358,211	$ 309,870

13.Financial Instrument Risk Management

General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Credit Union's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Credit Union's key management personnel. The Board of Directors receives quarterly reports from the Credit Union's management through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

Credit Risk

Credit risk is the risk of financial loss to the Credit Union if a counterparty to a financial instrument fails to make payments of interest and principal when due. The Credit Union is exposed to credit risk from claims against a debtor or indirectly from claims against a guarantor of credit obligations.

13.Financial Instrument Risk Management (Continued)

Risk Management

Credit risk rating systems are designed to assess and quantify the risk inherent in credit activities in an accurate and consistent manner. To assess credit risk, the Credit Union takes into consideration the member's character, ability to pay, and value of collateral available to secure the loan.

The Credit Union's credit risk management principles are guided by its overall risk management principles.The Board of Directors ensures that management has a framework, policies, processes and procedures in place to manage credit risks and that the overall credit risk policies are complied with, at the business and transaction level.

Liquidity Risk

Liquidity risk is the risk that the Credit Union will not be able to meet all cash outflow obligations as they come due. The Credit Union mitigates this risk by monitoring cash activities and expected outflows so as to meet all cash outflow obligations as they fall due.

Risk Measurement

The assessment of the Credit Union's liquidity position reflects management's estimates, assumptions and judgements pertaining to current and prospective firm specific and market conditions and the related behaviour of its members and counterparts.

Objectives, Policies and Procedures

The Credit Union's liquidity management framework is designed to ensure that adequate sources of reliable and cost effective cash or its equivalents are continually available to satisfy its current and prospective financial commitments under normal and contemplated stress conditions.

Provisions of the Credit Union Act require the Credit Union to maintain a prudent amount of liquid assets in order to meet member withdrawals. The Credit Union has set a minimum liquidity ratio of 6%.

The Credit Union manages liquidity risk by:
- Continuously monitoring actual daily cash flows and longer term forecasted cash flows;
- Monitoring the maturity profiles of financial assets and liabilities;
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities; and
- Monitoring the liquidity ratios monthly.

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

Hamilton Sound Credit Union Limited
Notes to the Financial Statements

December 31, 2023

13. Financial Instrument Risk Management (Continued)

Liquidity Requirement

As at December 31, 2023 the position of the Credit Union is as follows:

Maximum Exposure	**2023**	**2022**
Qualifying liquid assets on hand		
Cash	$ 854,160	$ 946,424
Liquidity reserve deposit	3,474,844	3,983,996
	4,329,004	4,930,420
Total liquidity requirement - 6% of total assets	2,876,055	3,030,918
Excess liquidity	$ 1,452,949	$ 1,899,502

The Credit Union has no material commitments for capital expenditures and there is no need for such expenditures in the normal course of business.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: interest rate risk, currency risk, and equity risk.

Senior management is responsible for managing market risk in accordance with the Credit Union's Asset and Liability Management and Investment Policy set by the Board.

Interest Rate Risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. The Credit Union is exposed to this risk through traditional banking activities, such as deposit taking and lending.

The Credit Union's goal is to manage the interest rate risk of the statement of financial position to a target level. The Credit Union continually monitors the effectiveness of its interest rate mitigation activities.

The following schedule shows the Credit Union's sensitivity to interest rate changes. A significant amount of loans and deposits can be settled before maturity on payment of a penalty, but no adjustment has been made for payments that may occur prior to maturity. Amounts that are not interest sensitive have been grouped together regardless of maturity.

Risk Measurement

The Credit Union's position is measured quarterly. Measurement of risk is based on rates charged to members as well as funds transfer pricing rates.

Hamilton Sound Credit Union Limited
Notes to the Financial Statements

December 31, 2023

13.Financial Instrument Risk Management (Continued)

Objectives, Policies and Procedures

The Credit Union's major source of income is financial margin, the difference between interest earned on investments and member loans and interest paid on members' deposits. The objective of asset/liability management is to match interest sensitive assets with interest sensitive liabilities as to amount and as to term to their interest rate repricing dates, thus minimizing fluctuations of income during periods of changing interest rates.

Schedules of matching and interest rate vulnerability are regularly prepared and monitored by Credit Union's management.

	Assets	Yield (%)	Liabilities	Cost (%)	Asset / Liability Gap
Maturity dates Interest sensitive					
Variable	$ 4,941,068	7.39	$ 24,764,943	0.21	$ (19,823,875)
0-3 months	5,489,735	5.46	6,755,202	4.23	(1,265,467)
4-9 months	2,363,492	6.07	3,000,131	3.48	(636,639)
1 year	8,745,622	4.86	2,350,308	3.54	6,395,314
2 years	7,580,517	6.60	2,848,384	4.02	4,732,133
3 years	8,321,430	5.93	631,450	2.33	7,689,980
4 years	6,526,357	6.32	2,738,811	3.44	3,787,546
5 years	5,980,641	7.43	952,703	4.07	5,027,938
> 5 years	529,356	7.87			529,356
	50,478,218		44,041,932		6,436,286
Non interest sensitive	607,228		4,386,359		(3,779,131)
Total	$ 51,085,446		$ 48,428,291		$ 2,657,155

Interest sensitive assets and liabilities cannot normally be perfectly matched by amount and term to maturity. The Credit Union utilizes interest rate swaps in managing this rate gap. One of the roles of a Credit Union is to intermediate between the expectations of borrowers and depositors.

If applying a simple interest calculation to the above schedule, with the exclusion of any assumptions regarding shock reduction adjustments, the effect of the Credit Union's risk resulting from an increase in interest rates of 1% on all interest sensitive instruments could result in an increase to net income of approximately $21,431 while a decrease of interest rates of 1% could result in an decrease to net income of approximately $21,431.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

14.Other Income

	2023	2022
Miscellaneous	$ 8,620	$ 13,683
Service charges and fees	409,143	388,957
	$ 417,763	$ 402,640

Hamilton Sound Credit Union Limited
Notes to the Financial Statements

December 31, 2023

15. Members' Security

	2023	2022
Bad debt expense (net of recovery)	$ (7,732)	$ 15,797
Asset and liability management fees	8,589	6,771
Credit Union Deposit Guarantee Corporation assessment	79,024	76,782
Insurance	41,696	38,396
	$ 121,577	$ 137,746

16. General Business Expenses

	2023	2022
Advertising and promotion	$ 21,898	$ 25,063
Amortization	46,312	60,446
Credit Bureau fees	8,355	8,285
Dues and assessments - Atlantic Central and others	45,439	45,789
Dealer commissions	140,295	102,530
EDP fees	292,806	285,313
Occupancy costs	154,148	146,874
Office expenses	22,470	25,222
Other	48,336	26,361
Professional fees	62,787	70,871
Service charges	65,626	57,757
Telephone	19,352	19,746
Transportation - security	38,134	40,455
Travel	51,134	60,419
	$ 1,017,092	$ 975,131

17. Commitments

Credit Facilities

The Credit Union has an authorized line of credit with Atlantic Central totalling $1,331,000 bearing interest at the rate of 7.20%, which remained unused at year end. As security, the Credit Union has pledged loans receivable.

Member loans

The Credit Union has the following commitments to its members at the year-end date on account of loans, unused lines of credit and letters of credit:

	2023	2022
Unadvanced loans	$ NIL	$ 136,945
Unused lines of credit	$ 2,109,059	$ 2,157,805

Hamilton Sound Credit Union Limited
Notes to the Financial Statements

December 31, 2023

17. Commitments (Continued)

Service contract

The Credit Union is participating in a cost sharing arrangement to fund the costs for platform development related to a cloud computing service contract. In accordance with IFRS Interpretations Committee release, March 2019, these costs are related to the service contract and will be recorded as an expense over the contract term. The cloud computing platform development project is known as the Honeybee Mission. The Credit Union has agreed to provide funding in the amount of $704,864. The committed cash outlays to fund the prepaid service contract costs are as follows; 2022 - $317,189; 2023 - $176,216 and 2024 - $211,459.

18. Comparative amounts

Certain comparative amounts may have been reclassified to conform with the financial statement presentation adopted for the current year.

19. Subsequent event

On January 1, 2024 the corporation amalgamated with Atlantic Edge Credit Union.

CREDIT UNION
ATLANTIC EDGE

Carmanville
709-534-2224

Corner Brook
709-634-4632

Deer Lake
709-635-5149

Doyles
709-955-2402

Gander
709-651-0500

Happy Valley - Goose Bay
709-896-4851

Jeffrey's
709-645-2512

L'Anse au Loup
709-927-5522

Mary's Harbour
709-921-6354

Mount Pearl
709-739-2920

Port aux Basques
709-695-7000

Port Saunders
709-861-2263

St. Anthony
709-454-0098

St. George's
709-647-2000

Triton
709-263-7220

atlanticedgecu.ca