



SOURIS

ANNUAL REPORT

2023

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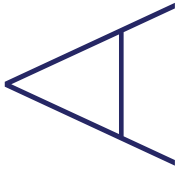
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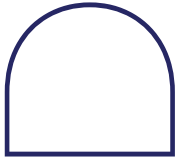
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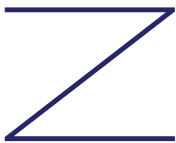
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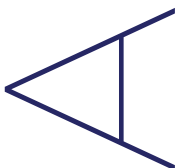
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VISIONS
MISSIONS

“TO PROVIDE
OUTSTANDING SERVICE AND
PROFESSIONAL ADVICE TO
ENABLE OUR MEMBERS TO
REACH THEIR FINANCIAL
GOALS.”

“TO BE THE FINANCIAL
INSTITUTION OF CHOICE IN
EASTERN KINGS AND BE
RECOGNIZED FOR THE
VALUE WE BRING TO OUR
MEMBERS AND
COMMUNITY.”

2023 HIGHLIGHTS



ASSETS

\$118.6M



DEPOSITS

\$101.4M



LOANS

\$76.4M

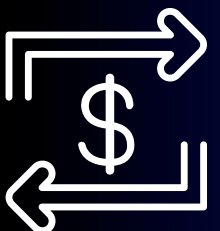


MEMBERS

3445



PATRONAGE \$550K



GROWTH

8%

S

CALL TO ORDER AND GREETING

The Chair, Tammy Daley, called the Annual Meeting of Souris Credit Union Ltd. to order at 3:03 p.m.

E

VERIFY QUORUM AND REGISTRATION REPORT

Jennifer McCormack-Skinner declared that there was a quorum present. Chair Tammy Daley called for a minute of silence in memory of deceased members.

T

ADOPTION OF AGENDA

On a motion by Charles Dunphy and seconded by Glen Cameron the agenda was adopted as presented. Motion carried.

D

REGISTRATION REPORT

Megan MacAulay reported 38 Members and 4 guest(s) in attendance. Chair Tammy welcomed the guests.

Z

ADOPTION OF MINUTES OF 2022 ANNUAL MEETING

The Board Secretary, Karen MacKenzie, reviewed the minutes by exception of the March 16, 2022 Annual Meeting.

On a motion by Brad Coffin, seconded by Shelly Manning the minutes were adopted as presented. Motion carried.

I

REPORT OF THE BOARD OF DIRECTORS

Chair Tammy Daley requested Secretary Karen MacKenzie accept the chair while she presented the Board of Directors report for the past year. Tammy directed the Membership to the Annual report where it was recorded that the Board has declared a 0.50 % dividend be paid on shares for the fiscal year ending December 31, 2022

On a motion by Brad Coffin and seconded by Irene MacDonald the Board of Directors Report was accepted as presented. Motion carried. Tammy Daley resumed the chair.

M

GENERAL MANAGERS REPORT

General Manager Paul MacNeill spoke on Souris Credit Union's financial performance, community involvement, and the performance of Souris Credit Union Ltd.

This was informational and did not require a motion.

G

FINANCIAL REPORT FROM ACCOUNTANT

Michelle Burge of MRSB Chartered Accountants reviewed the Financial Report for Souris Credit Union Ltd. for the year ended December 31, 2022. The membership was encouraged to ask questions.

A

Dennis McNally moved the adoption of this report, seconded by Stephen Flynn. Motion carried.

S

DRAW FOR DOOR PRIZES

Please note that at this point of the meeting door prizes were awarded.

E

NOMINATION COMMITTEE REPORT AND INSTALLATION OF OFFICERS

Shelly Manning, Chair of the Nomination Committee reported that there was 1 position available on the Board of Directors as Dennis McNally had served 3 terms of 3 years each, the maximum allowable.

T

Public notice was posted in-house on-line, and on social media requesting expressions of interest for potential directors from January 17, 2023-February 7, 2023. At the conclusion of the nomination period, February 7, 2023, no expressions were received.

D

As there were no expressions of interest from the public, a Nomination Committee meeting was held, and potential candidates were reviewed by the committee. At the conclusion of the activity Randy MacPhee was recommended for the vacant director position, Due to the changes to Souris Credit Union’s bylaws adopted at our March 27, 2019 AGM, there are no further nominations from the floor and Randy MacPhee would be elected by acclimation.

N

On a motion by Shelly Manning, seconded by Glen Cameron the Nomination Committee report was adopted as presented. Motion carried.

I

PRESENTATIONS

Certificates of appreciation were presented to:

M

Board Member Certificates of Appreciation presented to Dennis McNally (9 Year)

Souris Credit Union Ltd. Volunteer of the Year was presented to Bradley MacDonald for his work with the Eastern Kings Sportsplex, the EKFD, and many other worthwhile endeavors.

M

REMARKS FROM GUESTS

There were no guest remarks from the attendees.

G

ADJOURNMENT

On a motion by Camilla Paquet at 3:37 PM, the meeting was adjourned.

A

BOARD OF DIRECTORS



Brad Coffin
President



Allison Townshend
Vice-President



Karen MacKenzie
Secretary



Megan Cheverie



Randy MacPhee



Stephen Flynn



Charles Dunphy



Shelly MacDonald
Manning

I was honoured to serve as President on your Board of Directors in 2023. The Board's role is to represent the interests of credit union members and transform those interests into strategic governance.

I would like to thank you, our members, for your continued business. Without you our success would be impossible. As well I would also like to mention our partners, who help us provide the best possible products and services. Atlantic Central, League Savings & Mortgage, Collabria, Credit Union Financial Management, and CUDIC are just a few, and we appreciate their continued support.

Now to turn to business. 2023 was a strong year for the region. Tourism boomed, we had a strong lobster fishery, and PEI experienced a rapid growth in population. Bank of Canada Prime Rate rose steadily in the first half of the year, in an attempt to control inflation. In the second half of 2023 inflation stabilized, trending downward toward the target rate of 2%.

With the greater than expected interest rate increases, Souris Credit Union's profitability grew as well. As we prepared to close the books for 2023, our income before taxes and other expenses was \$ 1.67 million. This was well above budget and allowed for the Board of Directors to declare a patronage dividend of \$ 550,000.

As a Credit Union we are owned by our members. We do not have publicly traded stocks owned by pension funds or investors from off- island, so the above noted patronage dividend was returned right to you.

In closing, and on behalf of the Board of Directors, I would like to thank our staff for their expertise, professional service, and their commitment to bettering our community every day.

Respectfully submitted;



BRAD COFFIN
PRESIDENT





Paul MacNeill



Karen Deagle



Cherie Chapman



Lori MacAulay



Brett Robertson



Melanie Jacklyn



Tammy Rouzes



Colleen MacGregor



Lorraine Mooney



Audrey Aitken



Jennifer McCormack-Skinner



Sharon Jennings



Megan MacAulay



Lisa MacCormack



Share Bear

E

E

A

T

S

As General Manager it is my pleasure to speak to you about our most recent fiscal year ending December 31, 2023.

Souris Credit Union had an excellent year. Our assets grew approximately 8 million, from just over \$110 million to just over \$ 118 million. Our operational income for the year was approximately \$ 1.11 million before taxes, down slightly from approximately \$ 1.17 million last year. It is important to note that these figures take into consideration the fact that Souris Credit Union paid approximately \$ 550 thousand in Patronage Dividends to our members. We experienced a 10.5 % increase in our loan portfolio (from 69.2 million to 76.5 million), and Member deposits increased by 7.9 %, from \$ 94 million to \$ 101.4 million. These results were achieved with little loan write-offs and exceptional delinquency levels.

Souris Credit Union was again an active participant in our community. We have donated over \$39 thousand to various local and regional initiatives, investing in our members' education, health, and mental well-being. In 2024, in addition to our normal donations and sponsorships, we will be celebrating our 70th year of operation with the kickoff of a \$ 70,000 donation fund to aid various community initiatives and projects.

At the conclusion of 2023 we had 2 directors come to the end of their terms, Tammy Daley and Megan Cheverie. Unfortunately, both directors reached the maximum time they could serve, so 2 new directors were needed. After the director nomination process ran its course, Mary Jane Callighan and Edwin McKie were elected by acclamation. Welcome Mary Jane and Edwin and thank you Tammy and Megan for your 9 years of service.

As we head into our 70th year, I would like to acknowledge the exceptional work of our staff, as our results could not be achieved without their hard work and dedication. As well I would like to thank the Board of Directors, who have provided valuable strategic guidance as we navigated another year.

Respectfully submitted;



PAUL MACNEILL
GENERAL MANAGER





Invested in our community.

Being supportive and involved with our members along with the community is, as always, of great importance to Souris Credit Union. Our high standard for social responsibility means that we strive to serve our community as best as possible.

IN OUR COMMUNITY





IN OUR COMMUNITY



**Invested in
you.**

As a financial co-operative, our motive is to always assist our members with their financial goals, while also positively impacting our community.

IN OUR COMMUNITY





Invested in our team.

At Souris Credit Union, you are more than just an employee. You are part of something bigger.

IN OUR COMMUNITY





SOURIS
 www.souriscreditunion.com
 @souriscreditunion

"The financial institution of choice in Eastern Kings, PEI."

Invested in our community.
 Invested in our employees.
 Invested in you.

687-2721
 51, Souris, PE
 N0A 2B0

OUR COMMUNITY



\$7250
donated by
Souris Credit
Union to date.



This local initiative is focused on targeting food insecurity and giving back to our community. The Souris Community Food Cupboard is here to help any individuals and families struggling with food gaps, so they don't have to worry about going hungry again.

COMMUNITY FOOD

CUPBOARD

\$4500 donated by
the Village Feast
 Souris
 Prince Edward Island

\$4660 in Member Donations



\$7450 donated by local Associations, Groups and Businesses



\$26,360 in Total Donations towards Food Security
 in our Community

SCHOLARSHIP RECIPIENTS



Sophie McNally



Trinity Roche



Jenna Tassell



Nathan Deagle



Ryder Skinner



Rickey Holland

We are pleased to announce 6 Souris Credit Union Scholarship Recipients for 2023

Each scholarship recipient received \$1,800 towards furthering their education. In total, Souris Credit Union distributed \$10,800.

\$10.8K

“ We wish all students the best in their studies and future endeavors

2023 DONATIONS

 SPORTS & RECREATION	\$12,552
 COMMUNITY & HEALTH	\$7,821
 BURSARIES & EDUCATION	\$14,400

\$39K

This year, we invested over \$39,294 in donations and sponsorships benefiting not only community groups, but also numerous local families alike.

COMMUNITY INVESTMENT REPORT



We invested in education by granting \$10,800 in bursaries to young Members and donated to the Atlantic Central School Program.



We invested in youth sports and recreation by funding Hockey and Ringette tournaments held at the Eastern Kings Sportsplex.



We invested in our Souris Regional School's music equipment, further enriching the curriculum.



We invested in the health of our community by actively supporting the Points East Lighthouse Run and Relay For Life.



We invested in charities outside of our community like the Children's Wish Foundation and the Ronald MacDonald Campaign.



We invested in Seniors, sponsoring the Souris 55+ Games and the Souris Lion's Club Senior Christmas Party and Christmas Box Campaign.



We invested in festivals and events, contributing to events such as the Rollo Bay Fiddle Festival and Spud Fest.

100%

All this is made possible by the business our Members transact with Souris Credit Union. Thank you for your continued support and allowing us to help our community.

FINANCIAL
STATEMENTS

Souris Credit Union Limited
Financial Statements
December 31, 2023



SOURIS CREDIT UNION LIMITED

Financial Statements

December 31, 2023

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SOURIS CREDIT UNION LIMITED
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December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Members of Souris Credit Union Limited

Opinion

We have audited the financial statements of Souris Credit Union Limited (the Credit Union), which comprise the statement of financial position as at December 31, 2023, and the statements of profit or loss and other comprehensive income and cash flows for the year then ended, and notes and schedules to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

(continues)

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.

MRSB Chartered Professional Accountants Inc.

MRSB CHARTERED PROFESSIONAL ACCOUNTANTS INC.

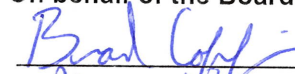
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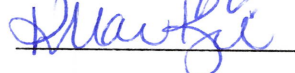
February 20, 2024

SOURIS CREDIT UNION LIMITED
Statement of Financial Position
December 31, 2023

	2023	2022
ASSETS		
Cash and cash equivalents (Note 6)	\$ 14,891,316	\$ 15,421,197
Investments (Note 7)	22,967,228	22,960,240
Accounts receivable (Note 8)	2,299,718	1,614,297
Member loans and mortgages (Note 9)	76,488,475	69,211,944
Provision for impaired loans (Note 10)	(326,706)	(326,706)
Income taxes recoverable	96,845	-
Prepaid expense	555,408	189,028
Deferred income taxes (Note 12)	210,870	261,685
Property and equipment (Schedule 1)	594,827	552,178
Restricted cash - retirement allowance	532,094	489,077
Deferred pension benefit (Note 14)	384,164	437,964
	<u>\$ 118,694,239</u>	<u>\$ 110,810,904</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 784,690	\$ 129,766
Employee benefits payable	214,149	195,598
Income taxes payable	-	177,208
Accrued interest payable	673,024	256,150
Member deposits (Note 13)	101,422,760	94,005,376
Share deposits	4,643,831	5,890,481
Retirement allowance payable	532,094	489,077
	<u>108,270,548</u>	<u>101,143,656</u>
MEMBERS' EQUITY		
Members' shares (Statement 4)	18,610	18,480
Accumulated other comprehensive income (Statement 4)	985,836	1,037,836
Undistributed earnings (Statement 4)	9,419,245	8,610,932
	<u>10,423,691</u>	<u>9,667,248</u>
	<u>\$ 118,694,239</u>	<u>\$ 110,810,904</u>

On behalf of the Board


 _____ Director


 _____ Director

Notes 1 - 23 are an integral part of these financial statements

SOURIS CREDIT UNION LIMITED
Statement of Changes in Members' Equity
Year Ended December 31, 2023

	2023	2022
Members' shares (Note 15)		
Balance - beginning of year	\$ 18,480	\$ 18,235
Issuance of members' shares, net of redemption	130	245
Balance - end of year	<u>18,610</u>	<u>18,480</u>
Accumulated other comprehensive income (Note 14)		
Balance - beginning of year	1,037,836	628,736
Actuarial gain (loss) on defined pension plan (Statement 5)	<u>(52,000)</u>	409,100
Balance - end of year	<u>985,836</u>	<u>1,037,836</u>
Undistributed earnings		
Balance - beginning of year	8,610,932	7,665,635
Net income (Statement 5)	<u>808,313</u>	945,297
Balance - end of year	<u>9,419,245</u>	<u>8,610,932</u>
Members' equity	<u>\$ 10,423,691</u>	<u>\$ 9,667,248</u>

Notes 1 - 23 are an integral part of these financial statements

SOURIS CREDIT UNION LIMITED
Statement of Profit or Loss and Other Comprehensive Income
Year Ended December 31, 2023

	2023	2022
Income		
Interest and investment	\$ 7,131,323	\$ 4,444,846
Cost of capital and borrowings (Note 16)	<u>3,937,619</u>	<u>1,636,434</u>
Financial margin	<u>3,193,704</u>	<u>2,808,412</u>
Other		
Commissions	490,490	555,556
Miscellaneous	<u>58,228</u>	<u>37,883</u>
	<u>548,718</u>	<u>593,439</u>
	<u>3,742,422</u>	<u>3,401,851</u>
Expenses		
Advertising and promotions	127,137	49,952
Amortization of property and equipment	28,076	29,578
Automated teller machines	178,141	150,718
Board honorarium	17,815	18,280
Data processing	154,344	142,032
Director training	1,138	-
Dues and memberships	5,058	4,452
Insurance	147,893	127,867
Meetings	5,604	2,809
Office	225,472	208,901
Pension (Note 14)	52,000	99,900
Premises	65,632	51,681
Professional fees	32,802	53,174
Provision (recovery) for impaired loans	(6,398)	18,869
Service fees	406,898	325,160
Telephone	11,035	15,215
Travel	3,364	2,641
Wages and wage levies	<u>1,174,556</u>	<u>931,176</u>
	<u>2,630,567</u>	<u>2,232,405</u>
Income before income taxes and other comprehensive income	<u>1,111,855</u>	<u>1,169,446</u>
Income taxes		
Current (Note 17)	252,727	349,564
Deferred (Note 12)	<u>50,815</u>	<u>(125,415)</u>
	<u>303,542</u>	<u>224,149</u>
Net income	<u>808,313</u>	<u>945,297</u>
Other comprehensive gain		
Actuarial gain (loss) on defined pension plan (Note 14)	<u>(52,000)</u>	<u>409,100</u>
Net comprehensive income	<u>\$ 756,313</u>	<u>\$ 1,354,397</u>

Notes 1 - 23 are an integral part of these financial statements

SOURIS CREDIT UNION LIMITED

Statement of Cash Flows

Year Ended December 31, 2023

	2023	2022
Cash flows from operating activities		
Net comprehensive income	\$ 756,313	\$ 1,354,397
Items not affecting cash:		
Amortization of property and equipment	28,076	29,578
Deferred income taxes	50,815	(125,415)
	<u>835,204</u>	<u>1,258,560</u>
Changes in non-cash working capital:		
Investments	(6,988)	(4,928,216)
Accounts receivable	(685,421)	(528,409)
Accounts payable and accrued liabilities	654,924	(177,361)
Income taxes payable	(274,053)	142,944
Prepaid expense	(366,380)	(138,326)
Employee benefits payable	18,551	(490)
Accrued interest payable	416,874	90,220
	<u>(242,493)</u>	<u>(5,539,638)</u>
	<u>592,711</u>	<u>(4,281,078)</u>
Cash flows from investing activities		
Increase in member loans and mortgages	(7,276,531)	(6,300,522)
Increase in restricted cash - retirement allowance	(43,017)	(53,562)
Purchase of property and equipment	(70,725)	-
	<u>(7,390,273)</u>	<u>(6,354,084)</u>
Cash flows from financing activities		
Increase in member deposits	7,417,384	11,364,389
Decrease in share deposits and members' shares	(1,246,520)	(140,779)
Decrease (increase) in deferred pension benefit	53,800	(359,400)
Increase in retirement allowance payable	43,017	53,562
	<u>6,267,681</u>	<u>10,917,772</u>
Increase (decrease) in cash	(529,881)	282,610
Cash and cash equivalents - beginning of year	<u>15,421,197</u>	<u>15,138,587</u>
Cash and cash equivalents - end of year	<u>\$ 14,891,316</u>	<u>\$ 15,421,197</u>
Cash flows supplementary information (Note 18)		

Notes 1 - 23 are an integral part of these financial statements

SOURIS CREDIT UNION LIMITED
Notes to Financial Statements
Year Ended December 31, 2023

1. REPORTING ENTITY

Souris Credit Union Limited (the "Credit Union") was incorporated provincially under the Business Corporations Act of Prince Edward Island on June 17, 1954 and is governed by the Prince Edward Island Credit Unions Act. Souris Credit Union Limited is a member-owned financial institution whose principal business activities include financial and banking services for its members in Souris, Prince Edward Island. The Credit Union's head office is located at 129 Main Street, Souris, PE.

2. BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with, and are in compliance with, International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The principal accounting policies applied in the preparation of the financial statements are set out in Note 4.

These financial statements were authorized for issue by the Board of Directors on February 20, 2024. The members of the Souris Credit Union have the power to amend the financial statements after issuance.

3. BASIS OF MEASUREMENT

The financial statements have been prepared on a historical cost basis except for available-for-sale investments which are at fair value through profit or loss.

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

4. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents is comprised of cash on hand, cash in financial institutions, and term deposit investments that have a maturity of less than three months. Cash and cash equivalents are carried at amortized cost.

Investments

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Credit Union has the positive intent and ability to hold to maturity, and which are not designated as fair value through profit and loss (FVTPL) or as available-for-sale. Held-to-maturity investments are carried at amortized cost using the effective interest method, less any impairment losses.

Available-for-sale investments are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. Unquoted investments whose fair value cannot be measured reliably are carried at cost. All other available-for-sale investments are measured at fair value after initial recognition.

(continues)

SOURIS CREDIT UNION LIMITED
Notes to Financial Statements
Year Ended December 31, 2023

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts receivable

Accounts receivable arise from miscellaneous rebates and accrued interest on loans and mortgages and investments. An allowance for bad debts has been calculated through discussions with management, assessment of the other circumstances influencing the collectibility of amounts and using historical loss experience. Amounts deemed uncollectible are written off and deducted from the carrying value of the receivable. Amounts subsequently recovered from accounts previously written off are credited to the allowance account in the period of recovery.

Loans and mortgages

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

Impairment

The Credit Union applies a three-stage approach to measure allowance for credit losses, using an expected credit loss approach as required under IFRS 9 for the financial assets measured at amortized cost.

The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either (i) over the following twelve months or (ii) over the expected life of a financial instrument.

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

- Stage 1 - where there has not been a significant increase in credit risk since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.
- Stage 2 - when a financial instrument experiences a credit risk subsequent to origination but it 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 are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

The probability of default (PD), exposure at default (EAD) and loss given default (LGD) inputs used to estimate expected credit losses are modelled based on macroeconomic variables that are most closely related with credit losses in the relevant portfolio.

Details of these statistical inputs are as follows:

- PD - the probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life.

(continues)

SOURIS CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

- EAD - the exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities and accrued interest from missed payments.

- LGD - the loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

At each reporting date, the Credit Union assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral and the impact of forward-looking macroeconomic factors. Common assessments for credit risk include management judgment, delinquency, and monitoring.

When measuring expected credit loss, the Credit Union considers the maximum contractual period over which the Credit Union is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment and extension and rollover options. Loss allowances for expected credit losses are presented in the statement of financial position as financial assets measured at amortized cost, as a deduction from the gross carrying amount of the assets.

The Credit Union considers a financial instrument to be in default as a result of one or more loss events that occurred after the date of initial recognition of the instrument and the loss event has a negative impact on the estimated future cash flows of the instrument that can be reliably estimated. This includes events that indicate:

- Significant financial difficulty of the borrower;
- Default or delinquency in interest or principal payments;
- High probability of the borrower entering a phase of bankruptcy or a financial reorganization;
- Measurable decrease in the estimated future cash flows from the loan or the underlying assets that back the loan.

The Credit Union considers that default has occurred and classifies the financial asset as impaired when it is more than 90 days past due.

The Credit Union writes off an impaired financial asset, either partially or fully, when there is no realistic prospect of recovery. Where financial assets are secured, write-off is generally after receipt of any proceeds from the realization of security. In circumstances where the net realizable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

(continues)

SOURIS CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

The Credit Union assesses, at each reporting date, whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired, and impairment losses are recorded, only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and the loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Deferred income taxes

Income tax expense comprises current and deferred tax.

Current income taxes are recognized for the estimated income taxes payable or recoverable 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 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 allows the deferred tax asset to be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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/assets are settled/recovered.

Property and equipment

Property and equipment is stated at cost less accumulated amortization and is amortized over its estimated useful life on a declining balance basis at the following rates:

Building	5%
Furniture and equipment	20%
ATMs	20%
Computer hardware	30%
Pavement	8%

One-half of the annual rate is recorded in the year of acquisition; no amortization is recorded in the year of disposal.

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SOURIS CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2023

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Finance charges

Fees related to the purchase of Index-Linked RRSP units are amortized using the straight-line method over the term of the investment and are netted against the cost of the liability.

Employee future benefits

The Credit Union records annually the estimated liabilities for pension and other benefit obligations, which are payable to its employees in subsequent periods under the Credit Union's policy.

Liabilities are recorded for employee benefits including salaries and wages, deductions at source, paid annual or sick leave, variable compensation and bonuses that are expected to be settled within 12 months of the financial statement date. These represent present obligations resulting from employees' services provided to the financial statement date and are calculated at the undiscounted amounts based on the remuneration rate that the Credit Union expects to pay at the financial statement date. The expected cost of variable compensation and bonus payments is recognized as a liability when the Credit Union has a present legal or constructive obligation to pay as a result of past events and the obligation can be estimated reliably.

Benefits such as medical care are non-vesting and are expensed by the Credit Union as the benefits are taken by the employees.

Severance benefits are recognized as an expense when the Credit Union is committed demonstrably, without realistic opportunity for withdrawal, to a formal detailed plan to provide severance benefits under certain circumstances. If material benefits are payable more than 12 months after the reporting period, they are discounted to their present value.

Souris Credit Union Limited contributes to a defined benefit plan and a defined contribution plan for employees, which is administered and managed through CUMIS. The Credit Union's defined benefit obligation is calculated by independent actuaries at the reporting date using the Projected Unit Credit Method pro-rated on service and management's best estimate of discount rates, expected plan investment performance, salary escalation, mortality and retirement age of employees.

Pension expense for the defined benefit plan includes the cost of pension benefits earned during the period, the expected return on plan assets, interest cost on pension obligations and past service costs. The Credit Union recognizes all actuarial gains and losses arising from the defined benefit pension plan immediately in other comprehensive income.

Contributions to the defined contribution plan are recognized as an expense in the year that the relevant employee services are rendered. During the year, the contributions by the Credit Union to the defined contribution pension plan were \$30,428 (2022 - \$15,613).

(continues)

SOURIS CREDIT UNION LIMITED
Notes to Financial Statements
Year Ended December 31, 2023

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Member deposits

Borrowings and deposits and membership shares that are classified as liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method. Term, RRSP, RRIF and demand deposits can be fixed or variable rate. Interest can be paid annually, semi-annually, monthly or upon maturity.

Share deposits pay a dividend return at the discretion of the Board of Directors. Privileges of the shares are under the authority of the Board of Directors. The dividend rate declared and paid for 2023 was 0.5% (2022 - 0.5%), and was based on the average of the lowest monthly share balances.

Share deposits

The Credit Union has authorized an unlimited number of voting equity shares, with a value of \$5 per share. The shares are non-transferable, redeemable by the Credit Union, retractable by members subject to the Credit Union's right to suspend redemption, if the redemption would impair the financial stability of the Credit Union, for a period of up to twelve months by Board resolution and indefinitely by Board resolution with the approval of the Credit Union Deposit Corporation.

Foreign currency translation

Accounts in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities have been translated at the year end exchange rate. Non-monetary assets have been translated at the rate of exchange prevailing at the date of transaction. Revenues and expenses have been translated at the average rates of exchange during the year, except for amortization, which has been translated at the same rate as the related assets.

Foreign exchange gains and losses on monetary assets and liabilities are included in the determination of profit or loss.

Financial assets and financial liabilities

The Credit Union initially recognizes loans and advances, deposits and liabilities on the date on which they are originated. A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

On initial recognition, a financial asset is classified as amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL). A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL: the asset is held within a business model whose objective is to hold assets to collect contractual cash flow; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. All other financial assets are classified as measured at FVTPL. Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Credit Union changes its business model for managing financial assets. There were no changes to any of the Credit Union business models during the current or prior year.

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SOURIS CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2023

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Credit Union classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or FVTPL. The Credit Union derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Credit Union derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Credit Union neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss. In transactions in which the Credit Union neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Credit Union continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Credit Union currently has legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Credit Union has classified its financial assets and liabilities as follows:

Amortized cost - cash and cash equivalents, held-to-maturity investments, accounts receivable, member loans and mortgages, member and share deposits, accounts payable and accrued liabilities

Fair value through other comprehensive income - available-for-sale investments

Income and expense recognition

Income is recognized to the extent that it is probable that the economic benefits will flow to the Credit Union and the income can readily be measured. The principal sources of income are interest and fee income. Interest on loans and mortgages is recognized and reported on an accrual basis using the effective interest method.

Other fee and commission income - including account servicing fees, loan discharge and administration fees, and syndication fees - is recognized as the related services are performed.

Operating expenses are recognized upon the utilization of the services or at the date of their origin. Expenses incurred directly in the origination of loans and mortgages are deferred and recognized in profit or loss, as a reduction to income over the expected life of the relevant loans and mortgages. Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

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SOURIS CREDIT UNION LIMITED
Notes to Financial Statements
Year Ended December 31, 2023

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government assistance

During the year, the Credit Union received \$2,413 (2022 - \$16,165) from the Province of PEI for wage subsidies included in wage expense.

Government grants are recorded when there is a reasonable assurance that Credit Union had complied with and will continue to comply with, all the necessary conditions to obtain the grants.

Changes in accounting standards

Future accounting developments

A number of new standards and amendments to standards and interpretations are not yet effective for the year ended December 31, 2023 and have not been adopted by the Credit Union in preparing these financial statements. These changes are not expected to have a material impact on the Credit Union's financial statements.

Interest income and expense

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortized cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit impaired assets, the Credit Union estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

SOURIS CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2023

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Credit Union makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. These estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the period the assumptions change. The principal areas involving a higher degree of judgment or complexity and/or areas which require significant estimates are described below:

(a) 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 credit risk since origination.

The determination of a significant increase in credit risk takes into account many different factors since origination, and certain other criteria, such as delinquencies. In assessing whether there has been a significant increase in credit risk, we must rely on estimates and exercise judgment regarding matters for which the ultimate outcome is unknown. Future assessments of credit risk may be materially different from current circumstances which could result in a significant increase or decrease in the allowance for credit losses.

(b) Estimated useful lives of property and equipment

Management estimates the useful lives of property and equipment based on the period during which assets are expected to be available for use. The amounts and timing of recorded depreciation expense of property and equipment for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear and legal and other limits to use. It is possible that changes in these factors may cause changes in the estimated useful lives of the Credit Union's property and equipment in the future.

(c) Income taxes

The actual amounts of income tax expense only become final upon filing and acceptance of the tax return by relevant authorities which occur subsequent to the issuance of the financial statements. Estimation of income taxes include evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions, before they expire, against future taxable income. The assessment is based upon enacted tax acts and estimates of future taxable income. To the extent estimates differ from the final tax provision, earnings would be affected in a subsequent period.

6. CASH AND CASH EQUIVALENTS

	<u>2023</u>	<u>2022</u>
Term deposit investments	\$ 12,000,000	\$ 11,000,000
Cash in financial institutions	2,442,666	3,899,015
Cash on hand	448,650	522,182
	<u>\$ 14,891,316</u>	<u>\$ 15,421,197</u>

SOURIS CREDIT UNION LIMITED
Notes to Financial Statements
Year Ended December 31, 2023

7. INVESTMENTS

	2023	2022
<u>Shares</u>		
Atlantic Central Credit Union Limited - common shares	\$ 1,033,430	\$ 969,100
Atlantic Central Credit Union Limited - 50,478 Class LSM preferred shares	633,695	633,695
Concentra Financial - 20,000 Class A preferred shares	500,000	500,000
Atlantic Central Credit Union Limited - Class B preferred shares	117,200	117,200
League Data Limited - 1,613 Class B preferred shares	16,130	16,130
Atlantic Central Credit Union Limited - Class PEI shares	800	800
	2,301,255	2,236,925
 <u>Debentures</u>		
Atlantic Central Credit Union Limited liquidity deposit	7,315,973	6,844,815
Atlantic Central Credit Union Limited term deposits	6,500,000	11,500,000
League Savings and Mortgage term deposits	3,600,000	2,128,500
Concentra Financial term deposits	3,250,000	250,000
	20,665,973	20,723,315
	\$ 22,967,228	\$ 22,960,240

The Credit Union shall maintain sufficient liquid assets to meet its obligations as they come due. As prescribed in the Credit Union Regulations, Section 2, the Credit Union shall maintain liquid assets of not less than 10% of the total amount of member deposits in and borrowings of the credit union as follows: 9% shall be invested in eligible financial instruments of Atlantic Central; 6% of assets, or other such amount as may be determined by Central from time to time, shall be maintained in the segregated liquidity account. The remainder will be invested in: current account, cash management account, and term deposits that have a remaining term to maturity of not more than one year.

8. ACCOUNTS RECEIVABLE

	2023	2022
Accrued interest - loans and mortgages	\$ 1,691,114	\$ 1,263,294
Accrued interest - investments	462,139	280,921
Other receivables	146,465	70,082
	\$ 2,299,718	\$ 1,614,297

SOURIS CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2023

9. MEMBER LOANS AND MORTGAGES

	Total loans	Loans allowance	Net loans
2023			
Commercial	\$ 45,467,332	\$ (106,589)	\$ 45,360,743
Personal	7,168,743	(87,233)	7,081,510
Mortgages	14,940,721	(117,494)	14,823,227
LS&M high ratio mortgages	7,650,102	(2,295)	7,647,807
Lines of credit and overdrafts	1,261,577	(13,095)	1,248,482
	\$ 76,488,475	\$ (326,706)	\$ 76,161,769
2022			
Commercial	\$ 40,357,063	\$ (198,724)	\$ 40,158,339
Personal	6,902,676	(83,829)	6,818,847
Mortgages	12,398,183	(7,571)	12,390,612
LS&M high ratio mortgages	8,603,019	(3,552)	8,599,467
Lines of credit and overdrafts	951,004	(33,030)	917,974
	\$ 69,211,945	\$ (326,706)	\$ 68,885,239

10. PROVISION FOR IMPAIRED LOANS

	2023	2022
Provision for impaired loans - beginning of year	\$ 326,706	\$ 326,706
Provision (recovery) for impaired loans - current year	(6,398)	18,869
Recovery of loans written off	8,282	650
Loans written off - current year	(1,884)	(19,519)
	\$ 326,706	\$ 326,706

Members' loans can have either variable or fixed rate of interest. The rates offered to members are determined by the type of security offered, the member's credit worthiness, competition from other lenders and the current prime rate.

SOURIS CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2023

11. LOANS IN ARREARS

The following is an analysis of loans in arrears based on the age of repayments outstanding:

	2023	2022
0 to 30 days	\$ 10,258	\$ -
31 to 60 days	215,881	93,338
61 to 90 days	-	9,903
91 to 180 days	-	51,916
	\$ 226,139	\$ 155,157

12. DEFERRED INCOME TAXES

Deferred income taxes reflect the tax consequences of 'temporary differences' between the statement of financial position carrying amounts and the tax bases of assets and liabilities. These deferred income taxes are calculated using the income tax rates and tax laws that are expected to apply when these temporary differences are reflected in taxable income.

Temporary differences which give rise to deferred income tax assets are as follows:

	2023	2022
Deferred income tax asset		
Property and equipment	\$ 4,702	\$ 6,810
Retirement allowance	206,168	254,875
	\$ 210,870	\$ 261,685

13. MEMBER DEPOSITS

	2023	2022
Call deposits	\$ 43,372,010	\$ 41,003,577
Chequing accounts	19,547,997	22,292,917
Tax Free Savings Account (TFSA) deposits	15,868,491	11,464,301
Registered Retirement Savings Plan (RRSP) deposits	9,925,527	8,973,210
Term deposits	6,581,809	4,884,474
Registered Retirement Income Fund (RRIF) deposits	6,126,926	5,386,897
	\$ 101,422,760	\$ 94,005,376

SOURIS CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2023

14. DEFERRED PENSION PLAN

Defined benefit pension plan

Souris Credit Union Limited established a final salary defined benefit pension plan for its employees in 2002. The most recent independent actuarial valuation on this pension plan for funding purposes was performed as at November 1, 2020. The next actuarial valuation is scheduled to occur with an effective date of November 2023.

Information about the financial position of the Credit Union's defined benefit plan as at period end is as follows:

	<u>2023</u>	<u>2022</u>
Changes in accrued benefit obligation:		
Balance - beginning of year	\$ 3,163,800	\$ 4,007,100
Current service	71,400	99,500
Interest on liabilities	163,000	122,500
Employee contributions	23,300	27,300
Actuarial losses (gains) due to financial experience	244,200	(988,900)
Benefits paid	<u>(123,400)</u>	<u>(103,700)</u>
Balance - end of year	<u>3,542,300</u>	<u>3,163,800</u>
Change in fair value of plan assets:		
Balance - beginning of year	3,601,764	4,085,664
Employer contributions	50,200	50,200
Employee contributions	23,300	27,300
Expected investment return	182,400	122,100
Actual losses (gains) due to financial experience	192,200	(579,800)
Benefits paid	<u>(123,400)</u>	<u>(103,700)</u>
	<u>3,926,464</u>	<u>3,601,764</u>
Deferred pension benefit	<u>\$ (384,164)</u>	<u>\$ (437,964)</u>

In determining the accrued pension benefit, estimates and assumptions from market data and management's best estimates are used. Some of these estimates and assumptions have a high degree of uncertainty and increase the risk that the fair value of plan assets and obligations may change by a material amount in the future. The following actuarial assumptions have been used in the determination of the accrued pension benefit and the fair value of plan assets:

Discount rate	4.60 %	5.10 %
Expected return on plan assets	4.60 %	5.10 %
Rate of salary increase	3.00 %	3.00 %
Inflation rate	2.50 %	2.50 %

Assumed retirement age: 62 or earliest unrecorded retirement age if later

Mortality rates: CPM2014-Private Table with Improvement Projected by MI-2017

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SOURIS CREDIT UNION LIMITED
Notes to Financial Statements
Year Ended December 31, 2023

14. DEFERRED PENSION PLAN (continued)

	2023	2022
The expense for the Credit Union's defined benefit plan is as follows:		
Current service costs	\$ 71,400	\$ 99,500
Interest on liabilities	163,000	122,500
Expected investment return	(182,400)	(122,100)
Pension expense recognized in net income	\$ 52,000	\$ 99,900
Actuarial gain (loss) in other comprehensive income	\$ (52,000)	\$ 409,100
Cumulative actuarial gains recognized in comprehensive income	\$ 985,836	\$ 1,037,836

The expected return on plan assets for the defined benefit pension plan is comprised of the estimated returns for each major asset consistent with market conditions on the valuation date and the asset mix of the pooled funds that make up the plan assets, additional returns assumed to be achievable due to active equity management and implicit provision for expenses expected to be paid from the pension fund.

The investment asset mix of the defined benefit pension plan at December 31, 2023 is as follows:

Cash and cash equivalents	3.40 %	\$	133,786
Canadian equities	21.10 %		828,349
US equities	11.00 %		433,766
International equities	22.60 %		885,546
Fixed income	10.70 %		418,298
Federal bonds	1.50 %		57,406
Provincial bonds	1.30 %		51,243
Municipal bonds	0.20 %		8,757
Commercial bonds	26.70 %		1,050,286
Commercial mortgages	1.50 %		59,027
	100 %	\$	3,926,464

Liabilities at December 31, 2023:

Extrapolated present value of benefit obligation	\$	3,542,300
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Sensitivity of liabilities at December 31, 2023:

1.0% increase in discount rate	\$	3,103,900
1.0% decrease in discount rate	\$	4,080,700
1.0% increase in rate of salary increase	\$	3,650,300
1.0% decrease in rate of salary increase	\$	3,437,700

Maturity profile of liabilities at December 31, 2023:

Weighted average duration of liabilities	13.8 years
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The Credit Union expects employer contributions of approximately \$51,600 to be paid for the next fiscal year.

SOURIS CREDIT UNION LIMITED
Notes to Financial Statements
Year Ended December 31, 2023

15. MEMBERS' SHARES

	Number of shares	December 31 2023	Number of shares	December 31 2022
Balance - beginning of year	3,696	\$ 18,480	3,647	\$ 18,235
Shares issued, net of redemption	26	130	49	245
Balance - end of year	3,722	\$ 18,610	3,696	\$ 18,480

16. COST OF CAPITAL AND BORROWINGS

	2023	2022
Interest and service charges	\$ 3,365,106	\$ 1,610,010
Patronage dividends	550,000	-
Share dividends	22,513	26,424
	\$ 3,937,619	\$ 1,636,434

17. INCOME TAXES

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 28.86% (2022 - 30.69%) to the income for the year and is reconciled as follows:

	2023	2022
Income before income taxes and other comprehensive income	\$ 1,111,855	\$ 1,169,446
Income tax expense at the combined basic federal and provincial tax rate	\$ 320,881	\$ 358,903
Increase (decrease) resulting from:		
Small business deduction	(86,367)	(40,263)
Capital cost allowance claimed in excess of amortization	(1,118)	980
Non-deductible expenses	19,331	29,944
Effective tax expense	\$ 252,727	\$ 349,564

The effective income tax rate is 22.73% (2022 - 29.89%).

SOURIS CREDIT UNION LIMITED
Notes to Financial Statements
Year Ended December 31, 2023

18. CASH FLOW SUPPLEMENTARY INFORMATION

	2023	2022
Interest received	\$ 6,522,285	\$ 3,763,387
Interest paid	2,944,322	1,525,744
Income taxes paid	525,371	206,620

19. LINE OF CREDIT AVAILABILITY

The Credit Union has an approved line of credit with Atlantic Central Credit Union Limited of \$2,763,000, which is due for renewal on December 31, 2025, and was not utilized at the year end. The line of credit bears an interest rate of prime less 0.5% and is secured by a general security agreement.

20. RELATED PARTY TRANSACTIONS

Souris Credit Union Limited provides financial services to members. These members hold the loans, deposits and share deposits and therefore the interest income and interest expense are transacted in the ordinary course of business with these members.

As at year end, some members of the Board of Directors, Credit Committee, management and employees had loans and mortgages from Souris Credit Union Limited. These loans were in the normal course of operations with interest rates at the regular rates offered to all members of the Credit Union. Interest rates of deposits and dividends on shares were at identical rates offered to all Credit Union members.

Key management personnel include the General Manager and other senior officers of the Credit Union. The components of total compensation received by key management personnel and balances due to and from key management personnel are as follows:

	2023	2022
Short-term employee benefits	\$ 391,661	\$ 360,046
Contributions to a retirement pension plan	41,270	37,996
Mortgages, loan balances, and lines of credit due from key management at December 31	285,701	229,179
Deposit balances due to key management at December 31	52,670	75,975

Short-term employee benefits include salaries, variable compensation and other benefits. The mortgage and deposit transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment or present other unfavourable features.

SOURIS CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2023

21. RISK MANAGEMENT

The Credit Union manages significant risks through 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 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 credit, liquidity, currency and interest rate risks.

(a) Credit risk

Credit risk is the risk that a member will fail to meet their obligation to the Credit Union. Providing credit facilities to qualified members is one of the Credit Union's primary sources of earnings and is the area where the Credit Union is exposed to the most significant risk. Approval of these facilities is based on the member's ability to repay principal and interest over the term of the facility, which is determined by following Board approved policies and procedures, which includes assessing the member's credit history, character, collateral, and debt servicing capacity. In addition, the Credit Union provides to its employees comprehensive training to ensure compliance with Credit Union lending policies and procedures. Also, formal policies governing approval of credit facilities including acceptable risk assessment and security requirements are in place.

Overdue loan accounts, or lending delinquency, is closely monitored and frequently reported to senior management to ensure all allowances for potential loan losses are adequately provided for and written-off when collection efforts have been exhausted. Credit risk is mitigated primarily by the nature and quality of the underlying security as described by approved lending agreements.

The Credit Union's loan portfolio is focused in two main areas: consumer and commercial loans and mortgages, the latter of which are to mainly small and mid-sized companies. A syndication process is available with other Credit Unions for larger commercial loans, when considered necessary, to appropriately mitigate the Credit Union's credit risk. Consumer mortgages are made available on a conventional basis up to 80% of the lesser of cost or appraised value of single family housing, up to 75% on other residential properties, up to 65% of the lesser of cost or appraised value on commercial properties having general purpose usage and up to 50% of the lesser of cost or appraised value on commercial properties designed for specific use. Other credit facilities provided include personal overdrafts that have no recourse to the Credit Union.

The Credit Union's policy is to pursue timely realization of the collateral in an orderly manner. The Credit Union does not generally use the non-cash collateral for its own operations. During the year, the Credit Union did not take possession of collateral held as security against loans and advances.

Cash and equivalents and investments have low credit risk exposure as these assets are high quality investments with low risk counterparties. For the loan portfolio, the Credit Union reviews the member's capacity to repay the loan rather than relying exclusively on collateral.

The Credit Union's maximum exposure to credit risk at the reporting date in relation to each class of recognized financial asset is the carrying amount of those assets indicated in the statement of financial position. The maximum credit exposure does not take into account the value of any collateral or other security held, in the event other entities or parties fail to perform their obligations under the financial instruments in question. The principal collateral and other credit enhancements the Credit Union holds as security for loans include: insurance and mortgages over residential lots and properties, recourse to business assets such as an assignment of real estate, equipment, inventory and accounts receivable, and recourse to liquid assets, guarantees and securities. The value of collateral held against individual exposures is generally only assessed at the time of borrowing and when a specific review of that exposure is undertaken in accordance with policy.

(continues)

SOURIS CREDIT UNION LIMITED
Notes to Financial Statements
Year Ended December 31, 2023

21. RISK MANAGEMENT (continued)

The Credit Union's maximum exposure to credit risk at the reporting date was:

	2023	2022
Cash and cash equivalents	\$ 14,891,316	\$ 15,421,197
Investments	22,967,228	22,960,240
Accounts receivable	2,299,718	1,614,297
Member loans and mortgages, net of provision	76,161,769	68,885,238
Restricted cash - retiring allowance	532,094	489,077
	\$ 116,852,125	\$ 109,370,049

(b) Liquidity risk

Liquidity risk is the risk of being unable to meet financial commitments without having to raise funds at unreasonable prices or sell assets on a forced basis. The Credit Union has established policies to ensure the Credit Union is able to generate sufficient funds to meet all of its financial commitments in a timely and cost effective manner. The Credit Union's liquidity management practices include ensuring the quality of investment acquired for liquidity purposes meet very high standards, matching maturities of assets and liabilities and monitoring cash flow on a regular basis. Management monitors the Credit Union's liquidity position and reports to the Board on a regular basis.

The Credit Union is required to maintain 6% of prior quarter's assets in liquid investments in which 100% must be held by Atlantic Central Credit Union Limited and the Credit Union was in compliance with this requirement at year end. Cash flows payable under financial liabilities by remaining contractual maturities are as follows:

	Under 1 year	Over 1 to 5 years	Over 5 years	Total
2023	\$ 99,556,134	\$ 8,714,414	\$ Nil	\$ 108,274,548
2022	\$ 89,815,505	\$ 11,328,151	\$ Nil	\$ 101,143,656

The Credit Union expects that many members will not request repayment on the earliest date the Credit Union could be required to pay.

The following is a maturity analysis of financial instruments on the statement of financial position that contain a current and non-current portion as of December 31, 2023:

	Under 1 year	Over 1 to 5 years	Over 5 years	Total
Investments	\$ 22,467,228	\$ -	\$ 500,000	\$ 22,967,228
Member loans and mortgages	\$ 43,774,818	\$ 32,387,083	\$ -	\$ 76,161,769
Retirement allowance	\$ 487,143	\$ 41,735	\$ -	\$ 532,094
Member deposits	\$ 92,753,297	\$ 8,669,463	\$ -	\$ 101,422,760

(continues)

SOURIS CREDIT UNION LIMITED
Notes to Financial Statements
Year Ended December 31, 2023

21. RISK MANAGEMENT (continued)

(c) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Credit Union is exposed to currency risk through its cash accounts and member deposits. The Credit Union maintains deposits in foreign currencies to service its member accounts. At December 31, 2023, the Credit Union had cash and bank balances of \$140,237 USD (2022 - \$50,966 USD) and member accounts of \$14,415 USD (2022 - \$16,423 USD).

(d) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate materially due to changes in market interest rates. The Credit Union is exposed to interest rate risk through its loans and mortgages, providing lending services to its members for a rate based on the Bank of Canada base rate plus a risk premium determined at the loan inception. The Credit Union manages and controls interest rate risk primarily by managing asset and liability maturities. Interest rate risk is measured on a quarterly basis and the results are reported to the Board of Directors.

Before tax impact on net interest income of:	2023	2022
1% increase in interest rates	\$(1,169,399)	\$ (132,708)
1% decrease in interest rates	\$ (214,020)	\$ (240,516)

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

Souris Credit Union Limited has evaluated the fair value of its financial instruments based on the current interest rate environment, market values and the actual prices of financial instruments with similar terms. Fair value represents the amount at which a financial investment 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.

A three-tier hierarchy is used as a framework for disclosing fair values based on inputs used to value the Credit Union's financial instruments recorded at fair value. Valuation methods used in this framework are categorized under the following fair value hierarchy:

Level 1 - Quoted prices for active markets for identical financial instruments that the entity can access at the measurement date.

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 valuations 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.

SOURIS CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2023

23. CAPITAL MANAGEMENT

Souris Credit Union Limited provides lending services to its members in the form of loans, lines of credit and mortgages. The Credit Union's objective in the lending process is to remain within the lending guidelines set for the institution and to provide an adequate return to its members through adjusting risk premiums with the level of assessed risk on an individual basis. These services are provided to members at the discretion of the general manager and lending personnel within the established parameters. Total lending activities managed by the Credit Union as of December 31, 2023 amounted to \$76,161,769 (2022 - \$68,885,238).

Consistent with other Prince Edward Island Credit Unions, Souris Credit Union Limited is required by the Credit Union Deposit Insurance Corporation to maintain an equity level of 5% of the Credit Union's total assets. This ratio is calculated by adding the undistributed earnings at the end of the previous year plus the operating surplus in the current year and members' shares, divided by the total assets of the Credit Union.

	<u>2023</u>	<u>2022</u>
Members' shares (Statement 4)	\$ 18,610	\$ 18,480
Accumulated other comprehensive income (Statement 4)	985,836	1,037,836
Undistributed earnings (Statement 4)	<u>9,419,245</u>	<u>8,610,932</u>
Total regulatory equity	10,423,691	9,667,248
Total assets	<u>118,694,239</u>	<u>110,810,904</u>
	<u>8.78 %</u>	<u>8.72 %</u>

Credit Union bylaws require Souris Credit Union Limited to maintain sufficient liquid assets and a line of credit to meet its normal cash flow requirements. Consistent with other Prince Edward Island Credit Unions, Souris Credit Union Limited is required by the Credit Union Deposit Insurance Corporation to maintain minimum liquid asset level of 10% of total assets to ensure ongoing cash flow requirements are met.

	<u>2023</u>	<u>2022</u>
Total assets	\$ 118,694,239	\$ 110,810,904
Liquid assets	<u>40,158,261</u>	<u>39,995,734</u>
	<u>33.83 %</u>	<u>36.09 %</u>

SOURIS CREDIT UNION LIMITED
Schedules to Financial Statements
Statement of Property and Equipment
Year Ended December 31, 2023

(Schedule 1)

	Cost beginning of year	Additions	Disposals and write downs	Cost end of year	Accum amort beginning of year	Amort in the year	Disposals and write downs	Accum amort end of year	Net book value
2023									
Land	\$ 179,291	-	-	\$ 179,291	-	-	-	-	\$ 179,291
Building	999,382	-	-	999,382	680,745	15,931	-	696,676	302,706
Furniture and equipment	236,514	-	-	236,514	207,760	5,751	-	213,511	23,003
ATMs	50,073	-	-	50,073	31,614	3,692	-	35,306	14,767
Computer hardware	132,962	-	-	132,962	131,814	345	-	132,159	803
Pavement	38,670	70,725	-	109,395	32,781	2,357	-	35,138	74,257
	<u>\$ 1,636,892</u>	<u>\$ 70,725</u>	<u>-</u>	<u>\$ 1,707,617</u>	<u>\$ 1,084,714</u>	<u>\$ 28,076</u>	<u>-</u>	<u>\$ 1,112,790</u>	<u>\$ 594,827</u>
2022									
Land	\$ 179,291	-	-	\$ 179,291	-	-	-	-	\$ 179,291
Building	999,382	-	-	999,382	663,973	16,771	-	680,745	318,637
Furniture and equipment	236,514	-	-	236,514	200,572	7,188	-	207,760	28,754
ATMs	50,073	-	-	50,073	26,999	4,615	-	31,614	18,459
Computer hardware	132,962	-	-	132,962	131,322	492	-	131,814	1,148
Pavement	38,670	-	-	38,670	32,269	512	-	32,781	5,889
	<u>\$ 1,636,892</u>	<u>-</u>	<u>-</u>	<u>\$ 1,636,892</u>	<u>\$ 1,055,135</u>	<u>\$ 29,578</u>	<u>-</u>	<u>\$ 1,084,714</u>	<u>\$ 552,178</u>

Notes 1 - 23 are an integral part of these financial statements

SOURIS CREDIT UNION LIMITED
Schedules to Financial Statements
Interest Rate Sensitivity
Year Ended December 31, 2023

(Schedule 2)

	Under 1 year	Over 1 to 5 years	Over 5 years	Not interest rate sensitive	Total
ASSETS					
Cash and cash equivalents	\$ 14,489,902	\$ -	\$ -	\$ 401,414	\$ 14,891,316
Effective interest rate	5.09 %	-	-	-	
Investments	20,665,973	-	500,000	1,801,255	22,967,228
Effective interest rate	4.80 %	-	8.74 %	-	
Accounts receivable	-	-	-	2,299,718	2,299,718
Personal and commercial loans and mortgages	42,526,204	32,387,083	-	-	74,913,287
Effective interest rate	8.36 %	6.43 %	-	-	
Lines of credit and overdrafts	1,248,482	-	-	-	1,248,482
Effective interest rate	9.17 %	-	-	-	
Income taxes recoverable	-	-	-	96,845	96,845
Prepaid expense	-	-	-	555,408	555,408
Deferred income taxes	-	-	-	210,870	210,870
Property and equipment	-	-	-	594,827	594,827
Restricted cash - retirement allowance	-	-	-	532,094	532,094
Deferred pension benefit	-	-	-	384,164	384,164
	<u>\$ 78,930,561</u>	<u>\$ 32,387,083</u>	<u>\$ 500,000</u>	<u>\$ 6,876,595</u>	<u>\$118,694,239</u>

LIABILITIES AND MEMBERS' EQUITY

Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 784,690	\$ 784,690
Employee benefits payable	-	-	-	214,149	214,149
Accrued interest payable	-	-	-	673,024	673,024
Member deposits	75,219,069	8,669,463	-	17,534,228	101,422,760
Effective interest rate	4.10 %	4.52 %	-	-	
Share deposits	4,643,831	-	-	-	4,643,831
Effective interest rate	0.50 %	-	-	-	
Retirement allowance payable	-	-	-	532,094	532,094
Members' shares	18,610	-	-	-	18,610
Effective interest rate	0.50 %	-	-	-	
Accumulated other comprehensive income	-	-	-	985,836	985,836
Undistributed earnings	-	-	-	9,419,245	9,419,245
	<u>\$ 79,881,510</u>	<u>\$ 8,669,463</u>	<u>\$ -</u>	<u>\$ 30,143,266</u>	<u>\$118,694,239</u>

The above table sets out assets and liabilities on the earlier of contractual maturity or repricing date. Use of the table to derive information about the Credit Union's interest rate risk position is limited by the fact that certain borrowers may choose to terminate their financial instruments at a date earlier than contractual maturity or repricing dates. For example, personal and commercial loans and mortgages are shown at contractual maturity but certain could prepay earlier.

As at December 31, 2023, Souris Credit Union Limited's net interest spread was 1.86%. The net interest spread is calculated by expressing the difference between (a) the percentage of income earned on the average year end interest bearing assets and (b) the percentage of costs of capital and borrowings on the average year end interest bearing liabilities.

You'll always be ahead

when you've got someone behind you.

CU Financial Management

PLAN | INVEST | PROTECT

At Souris 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.

We partner with 13 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.



Don't live near one of our offices?

Our team of expert advisors serve members across Prince Edward Island virtually and plan travel throughout the province for those who prefer to meet in person.

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, EasternEdge 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.

MEMBERSHIP & Information

CUDIC CREDIT UNION DEPOSIT INSURANCE CORPORATION



- The Credit Union Deposit Insurance Corporation (CUDIC) guarantees the repayment of deposits with Prince Edward Island credit unions, in accordance with the relevant provisions of the Credit Unions Act. Subsection 173 (9) of Credit Unions Act Legislation provides that the Government of Prince Edward Island will ensure that this obligation of the Corporation is carried out.

A brief summary of the deposit insurance coverage offered by CUDIC is set out below.

- Membership is limited to Credit Unions incorporated under the laws of Prince Edward Island. All Island Credit Unions are required to be members of CUDIC.
- The maximum deposit insurance is \$125,000 per person in each Credit Union. Where a Credit Union operates a branch office, deposits are not insured separately in such branch offices.
- CUDIC insures 100% of insurable deposits held in registered retirement savings plans (RRSPs), registered retirement income funds (RRIFs), registered education savings plans (RESPs), registered disability savings plans (RDSPs), tax-free savings accounts (TFSA), and first home savings account (FHSA). These are separately insured from other deposits a person may have with the same Credit Union.
- Deposits in each Credit Union are separate and distinct and the limits apply to each Credit Union separately. Eligible deposits in one Credit Union do not affect the limits for eligible deposits in another Credit Union.
- A depositor may be an individual, an association of individuals, a corporation, an association of corporations or a government.
- Insurable deposits include Canadian currency savings and chequing accounts, foreign currency savings accounts and chequing accounts, membership share amounts, Canadian and foreign term deposits, investment certificates, drafts and money orders issued by the Credit Union.
- Separate insurance, to the \$125,000 maximum, applies to joint accounts and trust deposits.
- Credit Union Deposit Insurance Corporation (CUDIC) does not insure all deposits and investments offered by the Credit Union.
- CUDIC does not insure debentures issued by a Credit Union, bonds or debentures issued by government or corporations, treasury bills and investments in mortgages, stocks, and mutual funds.

This information is presented in a non-technical way and is not intended to be a legal explanation of the Prince Edward Island Credit Unions Act.

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For more information on Credit Union Deposit Insurance
Phone (902) 628-6280 or contact your Credit Union.



**CREDIT
UNION**

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