

Kingston Community Credit Union Limited
Financial Statements
December 31, 2024

Kingston Community Credit Union Limited

Contents

For the year ended December 31, 2024

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Management's Responsibility


To the Members of Kingston Community Credit Union Limited:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Audit Committee are composed entirely of Directors who are neither management nor employees of the Credit Union. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Audit Committee fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management, internal auditors, and external auditors. The Committee is also responsible for recommending the appointment of the Credit Union's external auditors.

MNP LLP is appointed by the Credit Union to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.



Chief Executive Officer

Independent Auditor's Report

To the Members of Kingston Community Credit Union Limited:

Opinion

We have audited the financial statements of Kingston Community Credit Union Limited (the "Credit Union"), which comprise the statement of financial position as at December 31, 2024, and the statements of comprehensive income, accumulated other comprehensive gain (loss) and members' equity and cash flows for the year then ended, and notes 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, 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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.

Kingston, Ontario

February 26, 2025

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

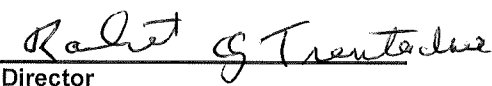
Kingston Community Credit Union Limited

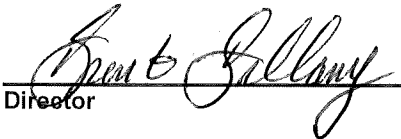
Statement of Financial Position

As at December 31, 2024

	2024	2023
Assets		
Cash and cash equivalents (Note 6)	11,775,167	13,280,388
Investments (Note 7)	31,702,271	23,095,150
Member loans (Note 8)	175,256,751	173,266,103
Income taxes recoverable	240,935	-
Property, plant and equipment (Note 9)	5,622,950	1,626,287
Other assets (Note 10)	440,736	493,861
Deferred income tax (Note 11)	24,964	127,589
Total assets	225,063,774	211,889,378
Liabilities		
Member deposits (Note 12)	203,448,841	190,554,675
Income taxes payable	-	18,441
Other liabilities (Note 13)	1,174,214	1,471,178
Dividends and interest rebate payable	148,509	71,012
Obligations under leases (Note 14)	190,633	1,227,797
Membership shares (Note 15)	994,362	1,019,129
Total liabilities	205,956,559	194,362,232
Members' equity		
Members' equity	18,857,522	17,539,453
Accumulated other comprehensive gain (loss)	249,693	(12,307)
Total equity	19,107,215	17,527,146
	225,063,774	211,889,378

Approved on behalf of the Board of
Directors


 Director


 Director

The accompanying notes are an integral part of these financial statements

Kingston Community Credit Union Limited
Statement of Comprehensive Income
For the year ended December 31, 2024

	2024	2023
Interest revenue		
Interest on loans to members <i>(Note 8)</i>	8,388,874	7,596,530
Investment income	1,514,489	1,529,359
	9,903,363	9,125,889
Interest expense		
Interest on members' deposits <i>(Note 12)</i>	3,111,269	2,114,594
	6,792,094	7,011,295
Interest margin		
Other revenue		
Rental	144,865	14,400
Other income	432,982	466,892
Service charges and commissions	1,164,779	1,077,778
Net recovery of (provision for) losses on loans <i>(Note 8)</i>	291,861	(437,721)
	8,826,581	8,132,644
Operating Expenses		
Amortization of property, plant and equipment <i>(Note 9)</i>	169,747	202,442
Interest on leases	6,454	25,508
Financial <i>(Schedule 1)</i>	186,627	176,045
Members' security insurance <i>(Schedule 2)</i>	237,945	233,620
Occupancy and leases <i>(Schedule 3)</i>	322,009	361,462
Other administrative <i>(Schedule 4)</i>	2,302,399	2,191,436
Remuneration to management and staff <i>(Schedule 5)</i>	3,726,232	3,498,297
	6,951,413	6,688,810
Income before other items and income taxes	1,875,168	1,443,834
Other income (expenses)		
Dividends on members' shares	(58,877)	(59,796)
Service charge and interest rebates	(89,632)	(11,215)
Income before income taxes	1,726,659	1,372,823
Provision (recovery) for income taxes <i>(Note 11)</i>		
Current	305,965	440,160
Deferred	102,625	51,814
	408,590	491,974
Net income for the year	1,318,069	880,849
Other comprehensive income		
Financial instruments		
Change in unrealized gains on investments	262,000	352,555
Total comprehensive income for the year	1,580,069	1,233,404

The accompanying notes are an integral part of these financial statements

Kingston Community Credit Union Limited
Statement of Accumulated Other Comprehensive Gain (Loss), and Members' Equity
For the year ended December 31, 2024

	<i>Members'</i> <i>equity</i>	<i>Accumulated other comprehensive income (loss)</i>	<i>Total equity</i>
Balance January 1, 2023	16,658,604	(364,862)	16,293,742
Net income	880,849	-	880,849
Change in unrealized loss on investments	-	352,555	352,555
Balance December 31, 2023	17,539,453	(12,307)	17,527,146
Net income	1,318,069	-	1,318,069
Change in unrealized loss on investments	-	262,000	262,000
Balance December 31, 2024	18,857,522	249,693	19,107,215

The accompanying notes are an integral part of these financial statements

Kingston Community Credit Union Limited

Statement of Cash Flows

For the year ended December 31, 2024

	2024	2023
Cash provided by (used for) the following activities		
Operating activities		
Net income for the year	1,318,069	880,849
Amortization of property, plant and equipment	169,747	202,442
Deferred income taxes	102,625	51,814
Loss on deemed disposition of leased assets	(13,185)	-
Net provision (recovery) for losses on loans	(291,861)	437,721
Interest revenue	(9,903,363)	(9,125,889)
Interest expense	3,111,269	2,114,594
Interest received on member loans	8,377,266	7,525,703
Interest paid on member deposits	(2,721,324)	(1,616,578)
Interest received on investments	1,445,131	1,752,836
	1,594,374	2,223,492
Changes in working capital accounts		
Income taxes recoverable	(259,376)	73,319
Other assets	53,125	45,060
Other liabilities	(296,964)	401,253
Dividends and interest rebate payable	77,497	(3,075)
	1,168,656	2,740,049
Financing activities		
Increase (decrease) in member deposits	12,504,220	(2,385,659)
Repayments of obligations under lease	(27,143)	(125,631)
Net redemption of member shares	(24,767)	(31,708)
	12,452,310	(2,542,998)
Investing activities		
Increase in member loans	(1,687,179)	(10,279,746)
Purchases of property, plant and equipment	(5,151,499)	(124,224)
Redemption (purchase) of investments	(8,287,509)	13,608,673
	(15,126,187)	3,204,703
Increase (decrease) in cash and cash equivalents	(1,505,221)	3,401,754
Cash and cash equivalents, beginning of year	13,280,388	9,878,634
Cash and cash equivalents, end of year	11,775,167	13,280,388

The accompanying notes are an integral part of these financial statements

Kingston Community Credit Union Limited

Notes to the Financial Statements

For the year ended December 31, 2024

1. Reporting entity

Kingston Community Credit Union Limited (the "Credit Union") is incorporated under the Credit Unions and Caisses Populaires Act, 2020 (the "Act"). The Credit Union is a member of Central 1 Credit Union Limited ("Central 1"). The Credit Union operates as one operating segment in the loans and deposit taking industry in Ontario. Products and services offered to its members include mortgages, personal and commercial loans, chequing and savings accounts, term deposits, RRSPs, TFSA's, RRIFs, FHSAs mutual funds, investment and financial advisory services, automated banking machines (ABMs), debit and credit cards and internet banking. The Credit Union's head office is located at 795 Gardiners Road, Kingston, Ontario.

2. Statement of compliance

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

These financial statements for the year ended December 31, 2024 were approved by the Board of Directors on February 26, 2025.

3. Basis of preparation

Basis of measurement

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

Functional and presentation currency

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

Significant accounting judgments, estimates and assumptions

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

The estimates and underlying assumptions are prepared based on management's best knowledge of current events and actions that the Credit Union may undertake in the future. These estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognized prospectively in comprehensive income in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

Fair value of unquoted equity instruments

The Credit Union maintains a required investment in shares of Central 1. The shares are redeemable but cannot be traded with others. As an estimate of fair value, the unquoted equity instruments are carried based at their redemption value at year end.

Key assumptions in determining the allowance for expected credit losses

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

Kingston Community Credit Union Limited
Notes to the Financial Statements
For the year ended December 31, 2024

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

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

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

Income taxes

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

Deferred taxes

The calculation of deferred tax is based on assumptions, which are subject to uncertainty as to timing and which tax rates are expected to apply when temporary differences reverse. Deferred tax recorded is also subject to uncertainty regarding the magnitude on non-capital losses available for carry forward and of the balances in various tax pools as the corporate tax returns have filed as of the date of financial statement preparation.

Other

Other financial statement items that use estimates include the carrying value and the estimated useful lives of property and equipment, identification of leases, assessing extension or termination options and the appropriate discount rate to value them, and accrued liabilities.

4. **Summary of significant accounting policies**

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits with Central 1 and other short-term highly liquid investments with original maturities of three months or less.

Cash and cash equivalents are classified as fair value through profit and loss and are carried at fair value.

Investments

On initial recognition, a financial asset is classified and subsequently measured at amortized cost, fair value through other comprehensive income, or fair value through profit and loss. The Credit Union has elected to report its investments as follows:

Central 1 Deposits and Guaranteed Investment Certificates are classified as amortized cost and are initially measured at fair value plus transaction costs that are directly attributable to their acquisition. Subsequently, they are carried at amortized cost.

The High Quality Liquid Asset Investment portfolio includes cash, bonds and term deposits that are classified as fair value through other comprehensive income and are initially recognized at fair value. Subsequently, they are carried at fair value with unrealized changes in value recognized in other comprehensive income. Upon derecognition, any gains or losses are recognized in other comprehensive income.

Equity Instruments are classified as fair value through profit and loss and are initially recognized at fair value. Subsequently, they are carried at fair value with changes in fair value being recognized in net income.

Kingston Community Credit Union Limited
Notes to the Financial Statements
For the year ended December 31, 2024

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

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 amortized cost.

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 loss.

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

The Credit Union relies on an expected credit loss model to estimate impairment losses on its member loan portfolio. The model was designed by Central 1 Credit Union, and is known as the IFRS 9 Impairment Expected Credit Loss Model (the "Model"). Under the Model, the Credit Union is required to classify all loans under three general categories: Performing (Stage 1), Underperforming (Stage 2), and Non-performing (Stage 3). The categories and details of the loan portfolio, which are described in Note 8, are uploaded to Central 1's Model on a monthly basis from which the model estimates the expected credit losses on the credit portfolio by category. 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 as estimated by the Model. The amount of the impairment loss is recognized in net income.

The Credit Union continually assesses individual loans for objective indications of impairment or underperformance, such as delinquency or a credit event, and categorizes loans in its database accordingly.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is considered to be Performing (Stage 1). The carrying amounts of these assets are assessed individually for impairment based on loan specific data such as the related beacon scores, and inherent economic risks as determined by geography, economic data, regional employment trends, among other criteria. Assets that are considered to be Underperforming (Stage 2) or Non-performing (Stage 3) are assessed for impairment independently based on similar criteria, adjusted for the increased level of risk associated with the respective categories. The Credit Union relies on an expected credit loss model to estimate impairment losses on its member loans carried at amortized cost. 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.

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.

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 date. 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.

Kingston Community Credit Union Limited

Notes to the Financial Statements

For the year ended December 31, 2024

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

Property, plant and equipment

Property, plant and equipment is initially recorded at cost and subsequently measured at cost less accumulated depreciation, with the exception of land which is not depreciated. Depreciation methods, useful lives and residual values are reviewed annually and adjusted if necessary.

The methods of depreciation and depreciation rates applicable for each class of asset are as follows:

	<i>Method</i>	<i>Rate</i>
Buildings	straight-line	3 to 50 years
Furniture and equipment	declining balance	10 %
Signs	declining balance	20 %
Computer equipment	straight-line	1 to 5, or 7 years
Security equipment	straight-line	1,2,3 or 5 years
Banking system	straight-line	4 or 10 years
Automobile	straight-line	5 years
Leasehold improvements	straight-line	5 to 15 years

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. The Credit Union has only one cash generating unit, for which impairment testing is performed.

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

Dividends

Dividends on member shares are recorded as a distribution of net income in the period to which they pertain, not in the period they are paid.

Kingston Community Credit Union Limited
Notes to the Financial Statements
For the year ended December 31, 2024

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

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/assets are settled/recovered.

Members deposits

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

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

Membership shares

Membership shares are initially measured at fair value, net of any transaction costs directly attributable to the issuance of the instrument.

Membership shares are subsequently measured at amortized cost, using the effective interest rate method.

Revenue recognition

The following describes the Credit Union's principal activities from which it generates revenue.

Interest revenue

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 cash payments over the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortized cost of the financial liability. The effective interest rate is calculated considering all contractual terms of the financial instruments, including interest and fees and excluding expected credit losses of financial assets.

The 'amortized cost' of a financial asset or financial liability is the amount at which the instrument is measured on initial recognition minus principal repayments, plus or minus any cumulative amortization using the effective interest method of any difference between the initial amount and maturity amount and adjusted for any expected credit loss allowance. The 'gross carrying amount of a financial asset' is the amortized cost of a financial asset before adjusting for any expected credit losses.

Interest income and expense is calculated by applying the effective interest rate to the gross carrying amount of the financial asset (when the asset is not credit-impaired) or the amortized cost of the financial liability.

Kingston Community Credit Union Limited

Notes to the Financial Statements

For the year ended December 31, 2024

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

Where a financial asset has become credit-impaired subsequent to initial recognition, interest income is calculated in subsequent periods by applying the effective interest method to the amortized cost of the financial asset. If the asset subsequently ceases to be credit-impaired, calculation of interest income reverts to the gross basis.

Service charge revenue

The Credit Union generates revenue from the account service fees charged to a member for maintaining an account at the Credit Union. Performance obligations relating to these contracts are satisfied at contract inception and once the account has been opened.

Consideration is due each month and is charged to the member account. The amount of consideration is based on the type of account and the posted monthly service fee.

The primary cost of obtaining a contract are the wages and salaries of the applicable Credit Union staff. These costs are expensed as incurred.

CUMIS insurance commissions and annual profit sharing entitlements are reported with service charge revenues. These revenues are recognized as they are earned.

Other Revenue

The Credit Union generates revenues related to its KCCU Wealth Solutions division in the form of fees and commissions. Also included in other revenue are ATM and other network fees. These revenues are recognized as they are earned.

Accounts payable

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.

Kingston Community Credit Union Limited
Notes to the Financial Statements
For the year ended December 31, 2024

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

Leased assets

The Credit Union assesses at inception of a contract, whether the contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Credit Union assesses whether the customer has the following through the period of use:

- the right to obtain substantially all of the economic benefits from use of the identified asset; and
- the right to direct the use of the identified asset.

Where the Credit Union is a lessee in a contract that contains a lease component, the Credit Union allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

At the lease commencement date, the Credit Union recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at cost. The cost of the right-of-use asset is comprised of the initial amount of the lease liability, any lease payments made at or before the commencement date less any lease incentives received, initial direct costs incurred by the Credit Union, and an estimate of the costs to be incurred by the Credit Union in dismantling and removing the underlying asset and restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The lease liability is initially measured at the present value of the lease payments not paid at the lease commencement date, discounted using the interest rate implicit in the lease or the Credit Union's incremental borrowing rate, if the interest rate implicit in the lease cannot be readily determined. The lease payments included in the measurement of the lease liability comprise of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, amounts expected to be payable by the Credit Union under a residual value guarantee, the exercise price of a purchase option that the Credit Union is reasonably certain to exercise, and payment of penalties for terminating the lease if the lease term reflects the Credit Union exercising an option to terminate the lease. After the commencement date, the Credit Union measures the lease liability at amortized cost using the effective interest method.

The Credit Union remeasures the lease liability when there is a change in the lease term, a change in the Credit Union's assessment of an option to purchase the underlying asset, a change in the Credit Union's estimate of amounts expected to be payable under a residual value guarantee, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments. On remeasurement of the lease liability, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

Standards issued but not yet effective

The Credit Union has not yet applied the following new standards, interpretations and amendments to standards that have been issued as at December 31, 2024 but are not yet effective. Unless otherwise stated, the Credit Union does not plan to early adopt any of these new or amended standards and interpretations.

IFRS 16 Leases

Amendments to IFRS 16, issued in September 2022, introduces requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 Revenue from Contracts with Customers, to be accounted for as a sale. The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted. The Credit Union is currently assessing the impact of these amendments on its financial statements.

IAS 1 Classification of Liabilities as Current or Non-Current

Amendments to IAS 1, issued in October 2022, clarify the requirements for classifying liabilities as either current or non-current by clarifying that:

- Liabilities are classified as either current or non-current depending on the existence at the end of the reporting period of a right to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that only covenants that an entity must comply with on or before the reporting date would affect a liability's classification as current or non-current, even if compliance with the covenant is only assessed after the entity's reporting date.
- Classification is unaffected by the likelihood that an entity will settle the liability within 12 months after the reporting date; and
- How the entity classifies debt; the entity may settle the debt by converting it into equity.

Additionally, the amendments added new disclosure requirements for situations where a liability is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months after the reporting date. The disclosure should enable users of financial statements to understand the risk that the liability classified as non-current could become repayable within 12 months after the reporting period.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. The Credit Union is currently assessing the impact of these amendments on its financial statements.

IAS 21 Lack of Exchangeability

Amendments to IAS 21, issued in August 2023, specify how to determine whether a currency is exchangeable into another currency and how to determine the spot exchange rate when a currency lacks exchangeability.

A currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. An entity assesses whether a currency is exchangeable into another currency at the measurement date and for a specified purpose. If an entity is able to obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose, the currency is not exchangeable into the other currency. When a currency is not exchangeable into another currency at a measurement date, an entity is required to estimate the spot exchange rate as the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, the amendments require an entity to disclose information that enables the users of the financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows, including the risks to which the entity is exposed because of the currency not being exchangeable into the other currency.

Kingston Community Credit Union Limited
Notes to the Financial Statements
For the year ended December 31, 2024

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2025. Earlier application is permitted. The Credit Union is currently assessing the impact of these amendments on its financial statements.

5. Critical accounting estimates and judgments

The Credit Union makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments 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 a 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 7.

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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realized or the liabilities are settled. The calculation of deferred tax is based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting year. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable income.

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

Kingston Community Credit Union Limited
Notes to the Financial Statements
For the year ended December 31, 2024

5. Critical accounting estimates and judgements *(Continued from previous page)*

Key assumptions in determining the allowance for expected credit losses

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

Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts, breaches of borrowing contracts such as default events or breaches of borrowing covenants and requests to restructure loan payment schedules. For financial assets assessed as credit-impaired at the reporting date, the Credit Union continues to recognize a loss allowance equal to lifetime expected credit losses.

These factors are described in the significant accounting policy for Member Loans as well as in Note 8.

6. Cash and cash equivalents

The Credit Union's cash and current accounts are held with Central 1. The current account has an average interest yield of 3.70% at December 31, 2024 (2023 average interest yield of 4.95%), and the U.S. dollar account average interest yield of 4.40% (2023 average interest yield of 5.15%). The current account holds a clearing facility of \$4,180,000 and the U.S. dollar account holds a clearing facility of \$100,000. At December 31, 2024, these facilities were not utilized.

Kingston Community Credit Union Limited
Notes to the Financial Statements
For the year ended December 31, 2024

7. Investments

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

	2024	2023
Fixed Income Investments and Deposits		
High quality liquid asset portfolio	13,809,968	12,993,461
Central 1 - term deposit	17,196,009	6,083,932
Central 1 - US term deposit	289,872	269,775
Schedule 1 bank term deposits	-	3,085,656
	31,295,849	22,432,824
Equity Instruments		
Central 1 shares - Class A	55,806	58,294
Central 1 shares - Class E	294,400	294,400
Equitable Bank shares - Class D preferred	-	250,000
CU CUMIS Wealth Holdings LP	2	2
	350,208	602,696
Other investment	56,214	59,630
Total investments	31,702,271	23,095,150

Debt Securities High Quality Liquid Assets portfolio

The purpose of the HQLA portfolio is to maintain adequate liquidity levels in order to protect the Credit Union in the event of potential liquidity stresses. The assets are held in a separate custodial account at Credential Securities. The Credit Union's business model objective will be achieved by holding the bonds to collect contractual cash flows on these assets. However, it may also sell bonds before maturity to achieve its objectives. Revenue objectives are achieved through a mix of interest earned and realized gains on sales. As at December 31, 2024, the portfolio has accrued an unrealized gain of \$249,693 which was reported in accumulated other comprehensive income.

Central 1 and Equitable Bank - Term deposits and Schedule 1 Banks Guaranteed Investment Certificates

Central 1, Equitable Bank, formerly Concentra Financial, term deposits and Schedule 1 Bank guaranteed investment certificates have varying maturity dates with the latest being May 2026. Guaranteed investment certificates are diversified among Central 1 and Canadian Schedule 1 banking institutions. The carrying amounts approximate fair value due to having similar characteristics as cash and cash equivalents.

Class D Equitable Bank preferred shares are issued at a par value with a minimum investment requirement of \$250,000. They are redeemable after five years by Equitable Bank from the date of issuance, requiring the consent of the Office of Superintendent of Financial Institutions (OSFI). 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 that transactions occur at par value on a regular and recurring basis. These Class D preferred shares were redeemed during the year.

Central 1 Shares

The shares in Central 1 are required as a condition of membership and are redeemable upon withdrawal of membership, subject to a five-year phased delay or at the discretion of the Board of Directors of Central 1. In addition, the member credit unions are subject to additional voluntary capital calls at the discretion of the Board of Directors.

Kingston Community Credit Union Limited
Notes to the Financial Statements
For the year ended December 31, 2024

7. **Investments** *(Continued from previous page)*

Class A Central 1 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 that transactions occur at par value on a regular and recurring basis.

Class E Central 1 shares are issued with a par value, however, are redeemable at the option of Central 1. There is no separately quoted market value for these shares and the fair value could not be measured reliably. Fair value cannot be measured reliably as the timing of redemption of these shares cannot be determined, therefore, the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed; thus, they are recorded at cost.

The Credit Union is not intending to dispose of any Central 1 shares as the services supplied by Central 1 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 Central 1.

Kingston Community Credit Union Limited
Notes to the Financial Statements
For the year ended December 31, 2024

8. Member loans

	2024	2023
<i>Principal</i>		
Commercial	7,109,694	7,658,156
Residential mortgages	154,964,446	152,987,755
Personal	13,342,184	13,217,993
<hr/>		
Allowance for impaired loans	175,416,324	173,863,904
Accrued interest	(499,933)	(926,552)
	340,360	328,751
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Net loans to members	175,256,751	173,266,103
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The loan classification set out above are as defined in the regulations to the Act.

Terms and conditions

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

Variable rate loans are based on a "prime rate plus/minus" formula, ranging from prime minus 3.00% to prime plus 18.55%. The rate above prime is determined by the type of security offered and the member's credit worthiness. The Credit Union's prime rate at December 31, 2024 was 6.45%.

The interest rate offered on fixed rate loans being advanced at December 31, 2024 ranged from 1.99% to 13.99%. The rate offered to a particular member varies with the type of security offered and the member's credit worthiness.

Commercial loans consist of term loans and mortgages to individuals, partnerships and corporations and, as such, have various repayment terms. They are secured by various types of collateral, including mortgages on real property, charges on specific equipment, investments and guarantees.

The Credit Union has, on behalf of Export Development Canada (EDC), advanced and administrates 2 loans under the Canada Emergency Business Account (CEBA) program. These loans are not recognized as the Credit Unions assets. Servicing revenue is recognized over the period that loans are outstanding.

Residential mortgages are secured by residential property and generally are repayable in monthly blended payments of principal and interest.

Personal loans consist of term loans and lines of credit and, as such, have various repayment terms. Some of the personal loans are secured by wage assignment and personal property or investments and others are secured by wage assignment only.

	2024	2023
Interest income		
Commercial	349,826	353,149
Residential mortgages	6,753,398	5,968,012
Personal	1,285,650	1,275,369
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	8,388,874	7,596,530
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Kingston Community Credit Union Limited
Notes to the Financial Statements
For the year ended December 31, 2024

8. Member loans (Continued from previous page)

Average yields to maturity

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

	2024		2023	
	Principal	Yield	Principal	Yield
Variable rate with maturities within five years	22,125,160	7.49 %	21,871,946	9.91 %
Fixed rate with maturities within one year	31,635,070	4.33 %	23,214,798	4.29 %
Fixed rate with maturities between one and five years	121,156,161	4.29 %	127,850,608	3.98 %
	<u>174,916,391</u>		<u>172,937,352</u>	
Accrued interest receivable	340,360		328,751	
	<u>175,256,751</u>		<u>173,266,103</u>	

Credit quality of loans

It is not practical to value all collateral as at the balance sheet date due to the variety of assets and conditions.

Fair value

The fair value of fixed rate member loans at December 31, 2024 was \$146,653,287 (2023 - \$152,846,210).

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.

Concentration of risk

The Credit Union has policies and procedures in place to monitor exposures to groupings of individual loans that would concentrate risk and create exposure to particular segments.

There were no individual or related groups of members' loans which exceed 10% of members' loans at December 31, 2024 or December 31, 2023.

The majority of members' loans are with members located in and around Kingston, Ontario.

Allowance for impaired loans

At each reporting date, the Credit Union recognizes an impaired loan provision for expected credit losses for debt instruments. This allowance is estimated based on an impairment model that comprises three stages:

Stage 1: For loans that have not had a significant increase in credit risk since initial recognition and are not considered as credit-impaired loans, a loss allowance equal to 12-month expected credit losses is recognized.

Stage 2: For loans that have had a significant increase in credit risk since initial recognition but are not considered as credit-impaired loans, a loss allowance equal to the lifetime expected credit losses is recognized.

Stage 3: For loans considered as credit impaired, a loss allowance amounting to the lifetime expected credit losses continues to be recognized.

Kingston Community Credit Union Limited
Notes to the Financial Statements
For the year ended December 31, 2024

8. **Member loans** (Continued from previous page)

The Credit Union relies on an expected credit loss model to estimate impairment losses on its member loan portfolio. The model was designed by Central 1 Credit Union, and is known as the IFRS 9 Impairment Expected Credit Loss Model. The model relies on current loan and credit information maintained by the Credit Union, such as the assessed loan stage, loan type, loan security, the length of time the loans are past due, and individual beacon scores, combined with macro and micro economic data to estimate expected credit losses. Economic data such as GDP trends, unemployment rates, bankers' acceptance rates, and the housing price index, is integrated into the model to ensure a comprehensive estimate is achieved. The circumstances may vary for each loan over time, resulting in higher or lower impairment loss. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Credit Union to reduce any differences between loss estimates and actual loss experience.

Total allowance for impaired loan provision comprises:

	2024	2023
Stage 1 provision	338,528	352,277
Stage 2 provision	14,817	24,753
Stage 3 provision	146,588	549,522
Total provision	499,933	926,552

Movement in Stage 1 provision for impairment:

	Personal and Other	Mortgages	Commercial	Total
Balance, January 1, 2023	252,836	196,569	1,969	451,374
Transfers from (to) stage 2	(7,414)	(5,544)	-	(12,958)
Transfers from (to) stage 3	10,932	10,145	-	21,077
New loans originated	78,907	55,784	70	134,761
Net remeasurement of allowance	(152,271)	(89,540)	(166)	(241,977)
Balance, December 31, 2023	182,990	167,414	1,873	352,277
Gross carrying amount of loans receivable	23,158,295	138,311,334	7,658,156	169,419,883
Balance, January 1, 2024	182,990	167,414	1,873	352,277
Transfers from (to) stage 2	(278)	(2,226)	-	(2,504)
Transfers from (to) stage 3	4,352	39,776	-	44,128
New loans originated	73,993	45,341	470	119,804
Net remeasurement of allowance	(93,437)	(82,614)	874	(175,177)
Balance, December 31, 2024	167,620	167,691	3,217	338,528
Gross carrying amount of loan receivables	22,761,150	142,802,550	7,125,505	172,689,205

Kingston Community Credit Union Limited
Notes to the Financial Statements
For the year ended December 31, 2024

8. Member loans (Continued from previous page)

Movement in Stage 2 provision for impairment:

	Personal and other	Mortgages	Commercial	Total
Balance, January 1, 2023	11,417	5,938	-	17,355
Transfers from (to) stage 1	7,414	5,544	-	12,958
New loans originated	-	2,056	-	2,056
Net remeasurement of allowance	(3,281)	(4,335)	-	(7,616)
Balance, December 31, 2023	15,550	9,203	-	24,753
Gross carrying amount of loan receivables	356,746	1,841,358	-	2,198,104
Balance, January 1, 2024	15,550	9,203	-	24,753
Transfers from (to) stage 1	278	2,226	-	2,504
New loans originated	264	-	-	264
Net remeasurment of allowance	(7,815)	(4,890)	-	(12,705)
Balance, December 31, 2024	8,277	6,539	-	14,816
Gross carrying amount of loan receivables	302,860	1,285,749	-	1,588,609

Movement in Stage 3 provision for impairment:

	Personal and other	Mortgages	Commercial	Total
Balance, January 1, 2023	64,125	13,801	-	77,926
Transfers from (to) stage 1	(10,932)	(10,144)	-	(21,076)
Recoveries	18,894	-	-	18,894
Write-offs	(76,717)	-	-	(76,717)
New loans originated	7,557	-	-	7,557
Net remeasurement of allowance	334,093	208,845	-	542,938
Balance, December 31, 2023	337,020	212,502	-	549,522
Gross carrying amount of receivables	363,115	2,174,900	-	2,538,015
Balance, January 1, 2024	337,020	212,502	-	549,522
Transfers from (to) stage 1	(4,352)	(39,776)	-	(44,128)
Recoveries	9,167	-	-	9,167
Write-offs	(142,931)	(994)	-	(143,925)
Net remeasurement of allowance	(101,821)	(122,227)	-	(224,048)
Balance, December 31, 2024	97,083	49,505	-	146,588
Gross carrying amount of loan receivables	162,409	1,316,461	-	1,478,870

Kingston Community Credit Union Limited
Notes to the Financial Statements
For the year ended December 31, 2024

9. Property, Plant and Equipment

Cost	Land	Furniture and equipment			Signs	Computer equipment	Security equipment	Banking system	Automobile improvements	Leasehold improvements	Total
		Buildings	equipment	and							
Balance, January 1, 2023	24,000	2,028,369	800,629	130,479	892,147	194,625	72,696	27,199	674,630	4,844,774	
Additions	-	100,000	11,487	-	12,737	-	-	-	-	124,224	
Balance, December 31, 2023	24,000	2,128,369	812,116	130,479	904,884	194,625	72,696	27,199	674,630	4,968,998	
Balance, January 1, 2024	24,000	2,128,369	812,116	130,479	904,884	194,625	72,696	27,199	674,630	4,968,998	
Additions	1,516,825	3,476,542	26,889	-	72,991	58,252	-	-	-	5,151,499	
Disposals	-	(1,428,957)	-	-	-	-	-	-	(564,256)	(1,993,213)	
Balance, December 31, 2024	1,540,825	4,175,954	839,005	130,479	977,875	252,877	72,696	27,199	110,374	8,127,284	
Depreciation											
Balance, January 1, 2023	-	618,233	669,970	115,823	805,064	184,421	72,696	19,946	654,116	3,140,269	
Depreciation expense	-	141,824	13,706	2,931	30,205	3,561	-	5,440	4,775	202,442	
Balance, December 31, 2023	-	760,057	683,676	118,754	835,269	187,982	72,696	25,386	658,891	3,342,711	
Balance, January 1, 2024	-	760,057	683,676	118,754	835,269	187,982	72,696	25,386	658,891	3,342,711	
Depreciation expense	-	107,837	15,090	2,345	31,761	10,745	-	1,813	156	169,747	
Disposals	-	(459,451)	-	-	-	-	-	-	(548,673)	(1,008,124)	
Balance, December 31, 2024	-	408,443	698,766	121,099	867,030	198,727	72,696	27,199	110,374	2,504,334	
Net book value											
December 31, 2023	24,000	1,368,312	128,440	11,725	69,615	6,643	-	1,813	15,739	1,626,287	
December 31, 2024	1,540,825	3,767,511	140,239	9,380	110,845	54,150	-	-	-	5,622,950	

Right-of-use assets in the amount of \$284,182 (2023 - \$1,713,139) with related accumulated amortization in the amount of \$101,832 (2023 - \$532,865) related to leased premises are included in buildings.

Kingston Community Credit Union Limited

Notes to the Financial Statements

For the year ended December 31, 2024

10.	Other assets	2024	2023
	Prepaid expenses	205,793	275,722
	Other receivables	234,943	218,139
		440,736	493,861

11. Income tax

The significant components of income tax expense included in net income are composed of:

	2024	2023
Current tax expense		
Based on current year taxable income	305,965	440,160
Deferred income tax		
Change in recognized deferred tax assets relating to origination and reversal of temporary differences	102,625	51,814

Reasons for the differences between tax expense for the year and the expected income taxes based on the statutory rate of 26.5% (2023 - 26.5%) are as follows:

Income before income taxes	1,726,659	1,372,823
Change in unrealized gains on investments	262,000	352,555
Income subject to taxes	1,988,659	1,725,378
Expected taxes based on statutory rate	526,995	457,225
Reduction due to small business and credit union deduction and Ontario surtax	(61,002)	37,601
Tax savings on non-taxable income	(3,187)	(3,345)
Other non-deductible portion of expenses and other items	(54,216)	493
Total income tax expense	408,590	491,974

Deferred income tax expense recognized in comprehensive income

The deferred income tax recovery (expense) recognized in comprehensive income for the current year is a result of the following changes:

	2024	2023
Deferred tax liability		
Property, plant and equipment	(39,080)	(25,086)
Deferred tax asset		
Market-to-market and other adjustments related to investments	(72,412)	(35,576)
Other accrued liabilities	8,867	8,848
	(63,545)	(26,728)
Deferred tax recovery (expense)	(102,625)	(51,814)
Net deferred tax liability is reflected in the balance sheet as follows		
Balance, beginning of year	127,589	179,403
Deferred tax recovery (expense)	(102,625)	(51,814)
Balance, end of year	24,964	127,589

Kingston Community Credit Union Limited
Notes to the Financial Statements
For the year ended December 31, 2024

12. Member deposits

	2024	2023
Chequing accounts	48,257,995	47,303,651
Commercial chequing accounts	34,379,216	30,828,695
Regular savings accounts	48,639,437	49,035,284
Registered retirement income funds	7,912,627	7,532,507
Registered retirement savings plans	10,904,333	10,891,205
Tax free savings accounts	15,298,332	13,023,855
Term deposits	35,198,614	29,620,229
U.S. accounts	770,852	752,459
Property tax accounts	653,150	648,609
First home savings accounts	176,716	50,557
	202,191,272	189,687,051
Accrued interest payable	1,257,569	867,624
	203,448,841	190,554,675

Terms and conditions

Chequing accounts are due on demand and bear interest at 0% at December 31, 2024.

Commercial chequing accounts are due on demand and bear interest at rates between 0% and 0.05% at December 31, 2024.

Regular savings accounts are due on demand and bear interest at 0.05% at December 31, 2024. High interest savings accounts are due on demand and bear interest at 1.35% at December 31, 2024. Registered Retirement Income Funds (RRIF) have both fixed and variable rates with terms and conditions similar to those of the Registered Retirement Savings Plans (RRSP) described below. Members may make withdrawals from a RRIF account on a monthly, semi-annual or annual basis. The regular withdrawal amounts vary according to individual needs and statutory requirements.

RRSPs have both fixed and variable rates. The fixed rate RRSPs have terms and rates similar to the term deposit accounts described below. The variable rate RRSPs bear interest at 0.50% at December 31, 2024.

Tax Free Savings Accounts (TFSA) have both fixed and variable rates. The fixed rate TFSAs have terms similar to the term deposit accounts described below. The variable rate TFSAs bear interest at 0.50% at December 31, 2024.

First Home Savings Accounts (FSHA) have both fixed and variable rates. The fixed rate FHSAs have terms similar to the term deposit accounts described below. The variable rate FHSAs bear interest at 0.50% at December 31, 2024.

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 interest rates offered on term deposits issued on December 31, 2024 range from 1.35% to 3.35%.

U.S. accounts are due on demand and bear interest at 0.10 to 0.25 at December 31, 2024.

Property tax deposit accounts are due on demand and bear interest at 0.05%.

Kingston Community Credit Union Limited
Notes to the Financial Statements
For the year ended December 31, 2024

12. **Member deposits** (Continued from previous page)

Fair Value

The fair value of member deposits at December 31, 2024 was \$204,032,747 (2023 - \$189,768,251).

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 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.

	2024	2023
<u>Interest expense</u>		
Chequing accounts	5,571	6,593
Commercial chequing accounts	12,459	19,463
Regular savings accounts	528,628	551,318
Property tax accounts	274	267
Registered retirement income funds	309,612	175,798
Registered retirement savings plans	297,492	226,210
Tax free savings accounts	534,799	301,210
Term deposits	1,416,731	832,697
U.S. accounts	1,115	974
First home savings accounts	4,588	64
	3,111,269	2,114,594

Average Yields to Maturity

Member deposits bear interest at both variable and fixed rates with the following average yields at December 31, 2024 and December 31, 2023:

	<u>Principal</u>	<u>Yield</u>	<u>Principal</u>	<u>Yield</u>
Variable rate with maturities within five years	139,244,525	0.47 %	136,028,715	0.52 %
Fixed rate with maturities within one year	44,569,528	4.31 %	30,271,171	3.90 %
Fixed rate with maturities between one and five years	18,377,219	3.97 %	23,387,165	3.96 %
	202,191,272		189,687,051	
Accrued interest payable	1,257,569		867,624	
	203,448,841		190,554,675	

Concentration of Risk

The Credit Union has an exposure to groupings of individual deposits which concentrate risk and create exposure to particular segments.

There were no individual or related groups of members' deposits which exceed 10% of members' deposits at December 31, 2024 or December 31, 2023.

The majority of members' deposits are with members located in and around Kingston, Ontario.

Kingston Community Credit Union Limited
Notes to the Financial Statements
For the year ended December 31, 2024

13. Other liabilities

	2024	2023
Accounts payable	1,174,214	1,471,178

14. Leases

Leases as lessee

The Credit Union leases space for one of its branches. This lease spans a period of five years and includes an option to renew the lease for two additional five year terms after the end of the initial contract term.

Right-of-use assets

Right-of-use assets of the Credit Union have been presented within property, plant and equipment in the statement of financial position. Refer to Note 9 for information pertaining to right-of-use assets arising from lease arrangements in which the Credit Union is a lessee.

Lease liabilities

The following table sets out a maturity analysis of lease liabilities:

	2024	2023
Maturity analysis – contractual undiscounted cash flows		
Less than one year	31,589	152,104
One to five years	126,358	608,415
More than five years	47,384	621,288
Total undiscounted lease liabilities at December 31, 2024	205,331	1,381,807
Discounted lease liabilities included in the statement of financial position at year end	190,633	1,227,797

15. Membership shares

Terms and Conditions

Membership shares are classified as liabilities and are initially recognized 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.

The Credit Union is authorized to issue an unlimited number of membership shares.

Funds invested by members in shares are not insured by the Financial Services Regulatory Authority of Ontario (FSRAO). The withdrawal of member shares is subject to certain restrictions as provided by the Credit Union's by-laws, as is the payment of any dividends on these shares.

As a condition of membership, each member 21 years and over is required to hold \$25 in membership shares and each member under 21 years is required to hold \$5 in membership shares. Members age 21 and over may hold additional membership shares up to a maximum of \$1,025 per member. These membership shares are redeemable at par only when a membership is withdrawn. Dividends are at the discretion of the Board of Directors of the Credit Union.

Kingston Community Credit Union Limited

Notes to the Financial Statements

For the year ended December 31, 2024

16. Regulatory capital (Ontario)

Capital management is the process whereby the level of capital is determined in order to support operations, risks and growth. The Credit Union has a capital management policy in place that addresses the quantity, quality and composition of capital needed that reflects the inherent risks of the Credit Union, to support the current and planned operations and to meet regulatory requirements. In addition, the Act establishes standards to which the Credit Union must comply.

The primary capital policies and procedures include the following:

- i. Adhering to regulatory capital requirements as minimum benchmarks (such as growth, operations, enterprise risk);
- ii. Coordinating strategic risk management and capital management;
- iii. Developing financial performance targets/budgets/goals;
- iv. Administering a patronage program that is consistent with capital requirements;
- v. Administering an employee incentive program that is consistent with capital requirements;
- vi. Developing a planned growth strategy that is coordinated with capital growth; and
- vii. Updating plans that consider the strengths, weaknesses, opportunities and threats to the Credit Union.

The Credit Union is subject to the capital requirements set out in the Act. The Act prescribes several capital adequacy measures and minimum capital requirements. Some of the measures compare capital measures to assets that receive prescribed risk weightings, known as risk weighted assets ("RWA"). The leverage ratio compares capital compared to total assets including prescribed adjustments ("Net assets").

Capital is split into two tiers. Tier 1 capital is defined as a credit union's primary capital and comprises the highest quality of capital elements while Tier 2 is secondary capital and falls short of meeting Tier 1 requirements for permanence or freedom from mandatory charge. Tier 2 capital cannot exceed Tier 1 capital.

The following table compares regulatory standards to the Credit Union's policy:

	<i>Regulatory standards</i>	<i>Policy limits</i>
Tier 1 capital ratio (Tier 1 capital / RWA)	6.5%	7.0%
Retained earnings ratio (Retained earnings / RWA)	3.0%	3.5%
Total capital ratio (Sum of tier 1 & 2 capital / RWA)	8.0%	9.0%
Capital conservation buffer ratio (Excess of Tier 1 capital to meet minimum requirements)	2.5%	3.5%
Total supervisory capital ratio (Total capital / RWA)	10.5%	12.5%
Leverage ratio (Total capital / net assets)	3.0%	5.0%

As at December 31, 2024, the Credit Union is in compliance with the minimum statutory requirements for eligible capital and policy limits.

Kingston Community Credit Union Limited
Notes to the Financial Statements
For the year ended December 31, 2024

16. **Regulatory capital (Ontario)** *(Continued from previous page)*

Total regulatory capital is comprised of Tier 1 and Tier 2 capital as follows:

	2024	2023
Tier 1 capital		
Membership shares	994,362	1,019,129
Retained earnings	19,107,215	17,527,146
Tier 1 deductions	(24,964)	(127,589)
	20,076,613	18,418,686
Tier 2 Capital		
Stage 1 & 2 loan allowance	353,345	377,030
	20,429,958	18,795,716
Capital tests:		
Total supervisory capital ratio	21.76%	21.63%
Tier 1 capital ratio	21.38%	21.20%
Retained earnings ratio	20.08%	20.19%
Total capital ratio	21.76%	21.63%
Capital conservation buffer ratio	13.76%	13.63%
Leverage ratio	9.07%	8.86%

Purchase of 795 Gardiners Road

The Credit Union purchased the 795 Gardiners Road, Kingston for \$4,950,000. Given that the purchase price of the property exceeds the single investment limit of 25 percent of regulatory capital, KCCU applied to FSRA for a variation of the requirements of subsection 79(1) of Ontario Regulation 105/22 (restriction on single investments) to allow for the purchase of the property. On January 17, 2024 FSRA's approval of the single investment limit to allow KCCU to purchase the property for the purchase price of \$4,950,000 was granted. The variation is granted for a period of 24 months from the date of the purchase of the property.

Kingston Community Credit Union Limited
Notes to the Financial Statements
For the year ended December 31, 2024

17. Commitments

Loan Commitments

At December 31, 2024, the Credit Union was committed to advance approximately \$1,175,000 (2023 - \$1,287,305) on loans and mortgages. In addition, lines of credit which had been approved but not used at year-end totaled approximately \$18,764,149 (2023 - \$20,320,618).

Advertising Commitments

The Credit Union has committed to an advertising package with Corus (Global Kingston) for the 2025 year. The total cost for 2025 is \$61,460 plus HST.

Service Agreements

The Credit Union entered into a service agreement for the monitoring and operation of their IT network effective January 1, 2022 until December 31, 2026. The minimum annual lease and service agreement payment for the next two years is \$24,443.

Payments Modernization

Payments Canada has initiated a multi-year modernization program of the Canadian clearing and settlement system. The Credit Union has committed to a contract with Central 1 to develop and implement its share of the technology required for payments modernization. Once operational, future costs will be based on the volume of items processed.

Technology Services Agreement

The Credit Union entered into a service agreement for its banking system effective January 1, 2023 until December 31, 2030. There is a per member fee plus additional service, transaction and reporting fees. The estimated monthly commitment under this agreement is approximately \$28,000 which is adjusted annually by CPI.

18. Pension Plan

The Credit Union makes contributions to a pension plan, which is a defined contribution plan, on behalf of its staff. There is also a retiring allowance available to staff who have reached a combination of years of service coupled with a minimum age requirement.

The amount contributed to the pension plan for 2024 was \$167,000 (2023 - \$160,765). The amount accrued for the retiring allowance was \$69,278 (2023 - \$33,392). All contributions were made for current service and these have been recognized in net income.

For employees who qualify for Early Retirement Benefits, the employee who meets the criteria is eligible to continue some of their existing benefits with the Co-operators Insurance at the employees cost, and as such there are no post-retirement benefit obligations to the Credit Union.

Employees are eligible to convert their life insurance benefits to a private plan at the employees cost.

Kingston Community Credit Union Limited
Notes to the Financial Statements
For the year ended December 31, 2024

19. Related party transactions

The Credit Union entered into the following transactions with the Board of Directors and management personnel, which are defined by IAS 24, Related Party Disclosures, as those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, including directors and management, their spouses and relatives if the relative lives in the home of those described.

	2024	2023
Compensation		
Salaries and other short-term employee benefits	647,061	616,243
Total pension and other post employment benefits	48,261	45,858
Director remuneration and expenses	100,286	96,364
	795,608	758,465
Loans to related parties		
Aggregate value of loans advanced	93,530	244,587
Interest received on loans advanced	1,426	8,851
Aggregate value of unadvanced loans	96,986	189,196
Total value of lines of credit advanced	113,014	30,804
Interest received on lines of credit advanced	2,403	1,616
Unused value of lines of credit	96,986	189,196

The Credit Union's policy for lending to the Board of Directors and management personnel is that all classes of loans are approved based on the same lending criteria which apply to members, but at preferred rates. None of the loans to restricted parties were impaired at December 31, 2024.

Deposits from related parties

Aggregate value of term and savings deposits	368,135	366,807
Total interest paid on term and savings deposits	13,814	4,929

The Credit Union's policy for receiving deposits from management personnel is that all transactions are approved and deposits accepted on the same terms and conditions which apply to members for each type of deposit. There are no benefits or concessional terms and conditions applicable to management personnel or close family members.

The Credit Unions and Caisses Populaires Act, 2020, requires credit unions to disclose remuneration paid during the year to the officers and employees of a credit union whose total remuneration for the year exceeded \$175,000. During the year, there was one employee with remuneration over \$175,000. Jon Dessau, CEO, received a salary of \$185,000, a bonus of \$10,000, and benefits with a monetary value of \$9,544.

Kingston Community Credit Union Limited
Notes to the Financial Statements
For the year ended December 31, 2024

20. Financial instruments

The following table represents the carrying amount by classification.

	Assets Measured at Fair Value	Assets measured at Amortized Cost	Liabilities measured at Amortized Cost
December 31, 2024			
Cash and cash equivalents	11,775,167	-	-
Investments	14,160,176	17,542,095	-
Loans to members	-	175,256,751	-
Other assets	-	440,696	-
Member deposits	-	-	203,448,841
Other liabilities	-	-	1,174,174
Dividends and interest rebate payable	-	-	148,509
Membership shares	-	-	994,362
	25,935,343	193,239,542	205,765,886
December 31, 2023			
Cash and cash equivalents	13,280,388	-	-
Investments	13,596,157	9,498,993	-
Loans to members	-	173,266,103	-
Other assets	-	493,861	-
Member deposits	-	-	190,554,675
Other liabilities	-	-	1,471,178
Dividends and interest rebate payable	-	-	71,012
Membership shares	-	-	1,019,129
	26,876,545	183,258,957	193,115,994

The following table provides an analysis of investments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and,
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or financial liability is categorized is determined on the basis of the lowest level of input that is significant to the fair value measurement. Financial assets and financial liabilities carried at fair value are classified in their entirety into only one of three levels:

	Level 1	Level 2	Level 3	Total
December 31, 2024				
Central 1 Shares – Class A	-	55,806	-	55,806
Central 1 Shares – Class E	-	294,400	-	294,400
High quality liquid asset investment	13,809,968	-	-	13,809,968
CU CUMIS Wealth Holdings LP	-	-	2	2
	13,809,968	350,206	2	14,160,176

Kingston Community Credit Union Limited
Notes to the Financial Statements
For the year ended December 31, 2024

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

December 31, 2023

				Total
Central 1 Shares – Class A	-	58,294	-	58,294
Central 1 Shares – Class E	-	294,400	-	294,400
Concentra Shares - Class D Preferred	-	250,000	-	250,000
High quality liquid asset investment	12,993,461	-	-	12,993,461
CU CUMIS Wealth Holdings LP	-	-	2	2
	12,993,461	602,694	2	13,596,157

There were no transfers between Level 1, Level 2 or Level 3 for the years ended December 31, 2024 and December 31, 2023.

Inputs, assumptions and techniques

Definition of default and assessments of credit risk Financial instruments are assessed at each reporting date for a significant increase in credit risk since initial recognition. This assessment considers changes in the risk of a default occurring at the reporting date as compared to the date of initial recognition.

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

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

Loans with an acceptable credit risk consistent with that upon origination of the loan are considered to be Stage 1. The credit risk of a financial instrument is deemed to have significantly increased since initial recognition when contractual payments have exceeded 30 days past due, or other information becomes available to management (e.g., through the course of regular credit reviews, communication with the borrower or forecasting processes which consider macroeconomic conditions expected to have a future impact on borrowers). Loans that have experienced a significant increase in credit risk are classified as Stage 2. The Credit Union identifies credit-impaired financial assets through regular reviews of past due balances and credit assessments of its customers. Loans greater than 90 days past due are considered credit-impaired. Credit-impaired loans are classified as Stage 3.

The Credit Union measures expected credit losses for loans receivable that have not been assessed as credit-impaired on a group basis. These assets are grouped on the basis of their shared risk characteristics such as loan type and geographic region to the borrower. The expected credit losses for credit-impaired member loans are measured on an individual basis.

When measuring 12-month and lifetime expected credit losses, the Credit Union considers the probability of default, loss given default, forward looking information and macroeconomic factors, and exposure at default of the financial asset. Forward-looking information is incorporated into the determination of expected credit loss by considering regional economic journals and forecasts, collecting information available from regular commercial dealings with its customers and other publicly available information and considering the effect such information could have on any assumptions or inputs used in the measurement of expected credit losses, determining significant increases in credit risk or identifying a credit-impaired financial asset.

21. 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 finance function. The Board of Directors receives quarterly reports from the Credit Union's Chief Executive Officer 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 customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Credit Union's member loans.

Risk Measurement

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, and 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.

The Credit Union's credit risk policies set out the minimum requirements for management of credit risk in a variety of transactional and portfolio management contexts. The Credit Union's credit risk policies comprise the following:

- i) general loan policy statements including approval of lending policies, eligibility for loans, exceptions to policy, policy violations, liquidity and loan administration;
- ii) loan lending limits including Board of Director limits, schedule of assigned limits and exemptions from aggregate indebtedness;
- iii) loan collateral security classifications which set loan classifications, advance ratios and amortization periods;
- iv) procedures outlining loan overdrafts, release or substitution of collateral, temporary suspension of payments and loans renegotiation;
- v) loan delinquency controls regarding procedures followed for loans in arrears; and
- vi) audit procedures and processes in existence for the Credit Union's lending.

With respect to credit risk, the Board of Directors receives quarterly reports summarizing new loans and delinquent loans. The Board of Directors also receives an analysis of bad debts and allowance for doubtful loans quarterly.

For the current year, there are no financial assets that would otherwise be past due or impaired whose terms have been renegotiated.

A sizeable portfolio of the loan book is secured by residential property in and around Kingston, Ontario. Therefore, the Credit Union is exposed to the risks in reduction of the loan to valuation ratio (LVR) cover should the property market be subject to a decline. The risk of losses from loans undertaken is primarily reduced by the nature and quality of the security taken.

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.

Kingston Community Credit Union Limited
Notes to the Financial Statements
For the year ended December 31, 2024

21. **Financial Instrument Risk Management** *(Continued from previous page)*

Liquidity Risk

Liquidity risk is the risk that the Credit Union may be unable to generate or obtain sufficient cash or its equivalent in a timely and cost effective manner to meet the Credit Union's commitments as they come 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 counterparties.

Objectives, Policies and Processes

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 Unions and Caisse Populaires Act, 2020, require the Credit Union to maintain a prudent amount of liquid assets in order to meet member withdrawals.

The Credit Union manages liquidity risk by:

- i) Continuously monitoring actual daily cash flows and longer term forecasted cash flows;
- ii) Monitoring the maturity profiles of financial assets and liabilities;
- iii) Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities; and
- iv) Monitoring the liquidity ratios daily.

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.

As at December 31, 2024, the position of the Credit Union is as follows (\$ and as a percentage of total deposits and borrowings):

Liquid assets on hand (operational):	\$12,775,167	6.32%
<i>Included in liquid assets (operational):</i>		
Cash	\$11,775,167	
Term deposits	\$1,000,000	
Total qualifying liquid assets:	\$42,466,393	21.00%
<i>Included in total qualifying liquid assets:</i>		
Liquid assets on hand (operational)	\$12,775,167	
HQLA	\$13,809,968	
Term deposits	\$15,881,258	

The Credit Union is required to hold a portfolio of high quality liquid assets in order to maintain a liquidity coverage ratio (LCR) expressed as a percentage of net stressed cash outflows during a 30 day period, of at least 100%. As at December 31, 2024, the LCR was 217% (2023 - 175%).

The maturities of liabilities are shown below under market risk.

Kingston Community Credit Union Limited
Notes to the Financial Statements
For the year ended December 31, 2024

21. **Financial Instrument Risk Management** *(Continued from previous page)*

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.

Risk Measurement

The Credit Union's risk position is measured monthly. Measurement of risk is based on rates charged and paid.

Objectives, Policies and Procedures

The Credit Union's major source of income is interest 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 sensitivity are prepared monthly and monitored by Credit Union management. Short and long-term interest sensitivity is stress tested and within regulatory and policy limits.

The following schedule shows the Credit Union's sensitivity to interest rate changes. Amounts with floating rates or due or payable on demand are classified as maturing within twelve months, regardless of maturity. A significant amount of loans and deposits can be settled before maturity on payment of a penalty, but no adjustment has been made for repayments that may occur prior to maturity. Amounts that are not interest sensitive have been grouped together, regardless of maturity.

Maturity dates	Assets	Yield (%)	Liabilities	Cost (%)	Asset/ Liability Gap
<i>Variable</i>					
0 - 12 months	22,125,160	7.49	139,244,524	0.47	(117,119,364)
2 - 5 years	-		-		-
	<u>22,125,160</u>		<u>139,244,524</u>		<u>(117,119,364)</u>
<i>Fixed</i>					
0 - 12 months	31,635,070	4.33	44,569,528	4.31	(12,934,458)
2 - 5 years	121,156,161	4.29	18,377,219	3.97	102,778,942
	<u>152,791,231</u>		<u>62,946,747</u>		<u>89,844,484</u>
Total	<u>174,916,391</u>		<u>202,191,271</u>		<u>(27,274,880)</u>

Kingston Community Credit Union Limited
Notes to the Financial Statements
For the year ended December 31, 2024

21. Financial Instrument Risk Management *(Continued from previous page)*

Interest sensitive assets and liabilities cannot normally be perfectly matched by amount and term to maturity. One of the roles of a credit union is to intermediate between the expectations of borrowers and depositors.

An analysis of the Credit Union's risk due to changes in interest rates determined that an increase or decrease in interest rates of 0.50% could result in a increase to net income of \$133,000 or a decrease to net income of \$158,000. The Credit Union reports positive exposure as zero exposure to interest rate risk and thereby only expresses negative risk to earnings.

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.

Currency Risk

Currency risk relates to the Credit Union operating in different currencies and converting non- Canadian earnings at different points in time at different foreign exchange levels.

The Credit Union's foreign exchange risk is related to U.S. dollar member deposits and cash. Foreign currency changes are continually monitored and the Credit Union's position is measured weekly. Measurement of risk is based on rates charged to clients as well as currency purchase costs.

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.

Equity Risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Credit Union is exposed to this risk through its equity holdings.

Prudent investment limits for each type of financial asset have been established in accordance with regulatory requirements.

Equities are monitored by the Board of Directors and holdings are adjusted following each quarter if the investments are offside of the investment policy.

Kingston Community Credit Union Limited
Schedule 1 - Schedule of Financial Expenses

For the year ended December 31, 2024

	<i>2024</i>	<i>2023</i>
Financial		
ATM charges	24,076	25,680
Debit and MasterCard	20,758	24,551
RRSP administration costs	15,951	12,173
Service charges and exchange	125,842	113,641
	186,627	176,045

Kingston Community Credit Union Limited
Schedule 2 - Schedule of Members' Security Insurance

For the year ended December 31, 2024

	2024	2023
Members' security insurance		
Bond insurance	79,170	74,866
Members' security insurance - FSRA insurance	158,775	158,754
	237,945	233,620

Kingston Community Credit Union Limited
Schedule 3 - Schedule of Occupancy and Leases

For the year ended December 31, 2024

	2024	2023
Occupancy and leases		
Building and fire insurance	46,694	31,343
Maintenance and repairs	97,434	70,581
Municipal taxes	80,426	28,929
Rent and leases	39,654	172,604
Security systems	14,741	16,213
Utilities	43,060	41,792
	322,009	361,462

Kingston Community Credit Union Limited
Schedule 4 - Schedule of Other Administrative Expenses

For the year ended December 31, 2024

	2024	2023
Other administrative		
Data processing	929,427	898,414
Education and publicity	375,185	383,150
Loan costs	71,591	95,372
Meeting and travel expenses	38,334	23,245
Member dues	24,538	16,648
Miscellaneous	385,714	380,967
Office supplies and expenses	236,286	168,209
Professional fees	241,324	225,431
	<hr/> 2,302,399	<hr/> 2,191,436

Kingston Community Credit Union Limited
Schedule 5 - Schedule of Remuneration to Management and Staff
For the year ended December 31, 2024

	2024	2023
Remuneration to management and staff		
Board honoraria and travel	100,286	96,364
Employee benefits	706,652	594,116
Salaries	2,919,294	2,807,817
	3,726,232	3,498,297