

**Osoyoos Credit Union**  
**Financial Statements**  
*December 31, 2024*

# Osoyoos Credit Union Contents

*For the year ended December 31, 2024*

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## **Management's Responsibility**

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To the Members of Osoyoos Credit Union:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with IFRS® Accounting 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 has the responsibility of meeting with management, internal auditors, and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Credit Union's external auditors.

MNP LLP is appointed by the members 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.

March 12, 2025

e-Signed by Greg Sol

2025-03-12 17:43:06:06 PDT

Chief Executive Officer

e-Signed by Russell Comerford

2025-03-12 15:54:50:50 PDT

Chief Financial Officer

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To the Members of Osoyoos Credit Union:

## Opinion

We have audited the financial statements of Osoyoos Credit Union (the "Credit Union"), which comprise the statement of financial position as at December 31, 2024, and the statements of loss, comprehensive income, changes in members' equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS® Accounting 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 IFRS® Accounting 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.

Kelowna, British Columbia

March 12, 2025

*MNP LLP*

Chartered Professional Accountants

**Osoyoos Credit Union**  
**Statement of Financial Position**  
*As at December 31, 2024*

	<b>2024</b>	<b>2023</b>
<b>Assets</b>		
Cash	3,775,221	3,063,692
Investments (Note 4)	65,406,007	68,997,431
Members' loans receivable (Note 16)	134,526,382	128,735,210
Property, plant and equipment (Note 5)	2,456,139	2,550,600
Intangible assets (Note 6)	265,958	303,542
Other assets (Note 7)	507,153	448,341
Investment property (Note 8)	205,042	208,642
	<b>207,141,902</b>	<b>204,307,458</b>
<b>Liabilities</b>		
Member deposits (Note 9)	194,992,535	192,627,598
Income taxes payable	128,867	73,723
Other liabilities	517,924	571,580
Derivative financial instruments (Note 10)	67,342	371,551
Lease liabilities (Note 11)	112,383	106,777
Deferred tax liabilities (Note 12)	107,113	122,915
Patronage dividends payable	22,500	46,427
Member shares (Note 13)	265,642	558,632
	<b>196,214,306</b>	<b>194,479,203</b>
<b>Commitments (Note 17)</b>		
<b>Significant event (Note 20)</b>		
<b>Members' equity</b>		
Member shares (Note 13)	152,745	192,123
Retained earnings	10,625,887	11,148,002
Accumulated other comprehensive income (loss)	148,964	(1,511,870)
	<b>10,927,596</b>	<b>9,828,255</b>
	<b>207,141,902</b>	<b>204,307,458</b>

**Approved on behalf of the Board**

e-Signed by Diana Thomas  
 2025-03-12 17:21:38:38 PDT  
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 Director

e-Signed by Alther Raum  
 2025-03-12 17:22:41:41 PDT  
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 Director

# Osoyoos Credit Union

## Statement of Loss

For the year ended December 31, 2024

	2024	2023
<b>Interest revenue</b>		
Interest on members' loans	5,776,446	5,025,588
Interest on investments and deposits	2,653,948	2,706,030
	<b>8,430,394</b>	7,731,618
<b>Interest expense</b>		
Interest on member deposits	5,463,792	4,536,951
	<b>2,966,602</b>	3,194,667
<b>Net interest income</b>	<b>2,966,602</b>	3,194,667
<b>Impairment losses on members' loans (Note 16)</b>	<b>6,397</b>	25,543
	<b>2,960,205</b>	3,169,124
<b>Financial margin</b>	<b>2,960,205</b>	3,169,124
<b>Other income</b>	<b>675,803</b>	692,157
	<b>3,636,008</b>	3,861,281
<b>Operating expenses</b>		
Amortization of intangible assets (Note 6)	56,052	36,911
Deposit insurance	113,302	118,716
Depreciation of property, plant and equipment (Note 5), (Note 8)	211,750	196,269
Director and committee expense	43,300	42,250
Distribution to members (Note 13)	16,529	37,368
Employee salaries and benefits	1,836,163	1,945,708
Occupancy and equipment	201,538	146,334
Operating and administrative expense (Note 14)	1,460,353	1,648,629
	<b>3,938,987</b>	4,172,185
<b>Operating loss</b>	<b>(302,979)</b>	(310,904)
<b>Other items</b>		
Gain on disposal of property, plant and equipment	15,181	14,057
Loss arising on fair value of derivative financial instruments	(298,990)	(321,941)
	<b>(586,788)</b>	(618,788)
<b>Loss before income taxes</b>	<b>(586,788)</b>	(618,788)
<b>Provision for (recovery of) income taxes (Note 12)</b>		
Current	(48,871)	(163,650)
Deferred	(15,802)	106,151
	<b>(64,673)</b>	(57,499)
<b>Net loss</b>	<b>(522,115)</b>	(561,289)

The accompanying notes are an integral part of these financial statements

**Osoyoos Credit Union**  
**Statement of Comprehensive Income**  
*For the year ended December 31, 2024*

	<b>2024</b>	<b>2023</b>
<b>Net loss</b>	<b>(522,115)</b>	<b>(561,289)</b>
<b>Other comprehensive income</b>		
<b>Items that will be reclassified subsequently to profit or loss</b>		
Unrealized gains on portfolio investments, net of tax	<b>1,416,702</b>	1,365,604
Unrealized gains on derivative financial instruments, net of tax	<b>244,132</b>	215,382
<b>Other comprehensive income, net of income tax</b>	<b>1,660,834</b>	<b>1,580,986</b>
<b>Total comprehensive income</b>	<b>1,138,719</b>	<b>1,019,697</b>

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



**Osoyoos Credit Union**  
**Statement of Changes in Members' Equity**  
*For the year ended December 31, 2024*

	<i>Member shares</i>	<i>Retained earnings</i>	<i>Accumulated other comprehensive income (loss)</i>	<i>Total equity</i>
<b>Balance December 31, 2022</b>	<b>217,594</b>	<b>11,709,291</b>	<b>(3,092,856)</b>	<b>8,834,029</b>
Net loss	-	(561,289)	-	(561,289)
Net change in member shares	(25,471)	-	-	(25,471)
Unrealized gains on portfolio investments, net of tax	-	-	1,365,604	1,365,604
Unrealized gains on derivative financial instruments, net of tax	-	-	215,382	215,382
<b>Balance December 31, 2023</b>	<b>192,123</b>	<b>11,148,002</b>	<b>(1,511,870)</b>	<b>9,828,255</b>
Net loss	-	(522,115)	-	(522,115)
Distribution to members	(39,378)	-	-	(39,378)
Unrealized gains on portfolio investments, net of tax	-	-	1,416,702	1,416,702
Unrealized gains on derivative financial instruments, net of tax	-	-	244,132	244,132
<b>Balance December 31, 2024</b>	<b>152,745</b>	<b>10,625,887</b>	<b>148,964</b>	<b>10,927,596</b>

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

# Osoyoos Credit Union

## Statement of Cash Flows

For the year ended December 31, 2024

	2024	2023
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Interest received from member loans	5,711,161	5,005,816
Interest and dividends received from investments	2,407,519	2,561,455
Fees, commissions and miscellaneous income received	675,803	692,157
Cash paid to suppliers and employees	(4,308,483)	(3,870,949)
Interest paid on deposits	(5,447,486)	(3,158,077)
Patronage and dividends paid	(40,456)	-
Income taxes recovered (paid)	(189,073)	515,635
	(1,191,015)	1,746,037
<b>Financing activities</b>		
Net change in member deposits	2,348,630	(3,234,742)
Net change in member shares	(332,368)	(167,593)
	2,016,262	(3,402,335)
<b>Investing activities</b>		
Net change in members' loans receivable	(5,732,283)	(6,605,472)
Purchases of property, plant and equipment	(81,325)	(104,676)
Purchases of intangible assets	(18,468)	(83,906)
Net change in investments	5,718,358	(1,663,281)
	(113,718)	(8,457,335)
<b>Increase (decrease) in cash</b>	<b>711,529</b>	<b>(10,113,633)</b>
<b>Cash, beginning of year</b>	<b>3,063,692</b>	<b>13,177,325</b>
<b>Cash, end of year</b>	<b>3,775,221</b>	<b>3,063,692</b>

The accompanying notes are an integral part of these financial statements

**1. Nature of operations**

***Reporting Entity***

Osoyoos Credit Union (the "Credit Union") is incorporated under the Credit Union Incorporation Act of British Columbia and 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 British Columbia. Products and services offered to its members include deposit products, loan products and registered investment products. The Credit Union's head office is located at 8312 Main Street, Osoyoos, BC.

***Statement of compliance***

The financial statements have been prepared in accordance with IFRS® Accounting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board ("IASB") and in effect, as at December 31, 2024.

These financial statements have been approved and authorized by the Board of Directors on March 12, 2025.

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

***Basis of measurement***

These financial statements are prepared under the historical cost convention, 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.

**2. Significant accounting judgments, estimates and assumptions**

As the precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates and approximations which have been made using careful judgment. These estimates are based on management's best knowledge of current events and actions that the Credit Union may undertake in the future.

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

***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:

- Expected significant increase in unemployment rates, 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 the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements

**2. Significant accounting judgments, estimates and assumptions** *(Continued from previous page)*

Significant judgments, 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 prepayments, 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. In estimating expected credit losses, the Credit Union develops a number of assumptions as follows:

- The period over which the Credit Union is exposed to credit risk, considering for example, prepayments, extension options, demand features
- The probability-weighted outcome, including identification of scenarios that specify the amount and timing of the cash flows for particular outcomes and the estimated probability of those outcomes
- The risk of default occurring on loans during their expected lives and during the next 12 months after the reporting date
- Expected cash short falls including, recoveries, costs to recover and the effects of any collateral or other credit enhancements
- Estimates of effective interest rates used in incorporating the time value of money

The above assumptions are based on historical information and adjusted for current conditions and forecasts of future economic conditions. The Credit Union determines adjustments needed to its historical assumptions by monitoring the correlation of the probability of default and loss rates with the following economic variables:

- Interest rates
- Unemployment rates
- Gross domestic product
- Inflation
- Loan to value ratios
- Vacancy rates

The estimate of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes that are neither best-case nor worse-case scenarios. The Credit Union uses judgment to weight these scenarios.

***Financial instruments not traded in active market***

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

***Impairment of non-financial assets***

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

***Income tax***

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 asset or 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 assets or liabilities.

**2. Significant accounting judgments, estimates and assumptions** *(Continued from previous page)*

***Classification of financial assets***

Classification of financial assets requires management to make judgments regarding the business model under which the Credit Union's financial assets are held and whether contractual cash flows consist solely of payments of principal and interest. Management has determined that the penalty to exercise prepayment features embedded in certain loans made to retail customers do not result in payments that are not solely payments of principal and interest because they represent reasonable additional compensation for early termination of the contract.

***Hedge accounting***

In applying hedge accounting, the Credit Union uses the following key judgments:

1. An economic relationship exists between the hedged item and the hedging instrument based on a hedge ratio

The Credit Union uses the same hedge ratio for the hedging relationship as the one that results from the actual quantity of the portfolio of loans (hedged item) and the interest rate swap (hedging instrument). Interest rate swaps (hedging instruments) are specifically transacted to economically hedge the portfolio of loans (hedged items). The fair values of the hedging instruments and the hedged items move in the opposite direction because of the interest rate risk. Therefore, there is an economic relationship between the portfolios of loans (or a portion thereof) and the swaps.

2. Critical terms of the hedged item and hedging instrument

The Credit Union assesses at inception and in subsequent periods whether the following critical terms of the hedged item and the hedging instrument have changed:

- Notional amount
- Maturity
- Correlation between 3 month Canadian Dealer Offered Rate ("CDOR") and Prime rate
- Weighted average interest rate

3. Effect of credit risk

The Credit Union enters into interest rate swaps as hedging instruments with a highly rated counterparty. Therefore, Credit Valuation Adjustment on the hedging instrument is expected to not be material or volatile in a manner to dominate the value changes resulting from the economic relationship.

Further, the Credit Union considers its own credit risk as low (at December 31, 2024 the Credit Union was above policy and target for all capital measures) and as a consequence, Debt Valuation Adjustment on the hedged item is not expected to dominate the hedge effectiveness assessment.

As interest rate swaps are specifically transacted to economically hedge existing loans, application of hedge accounting will align with the risk management strategy of the Credit Union and therefore, the Credit Union's hedging relationship and risk management objective contributes to executing the overall risk management strategy.

For more information refer to Note 16.

**3. Material accounting policy information**

The principle accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

***Cash***

Cash on hand and on deposit are with maturities of three months or less from the date of acquisition, and are subject to an insignificant risk of changes in their fair value.

***Investments***

Each investment is classified into one of the categories described under financial instruments. The classification dictates the accounting treatment for the carrying value and changes in that value.

**3. Material accounting policy information** *(Continued from previous page)*

***Members' loans receivable***

All members' loans receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Members' loans are initially measured at fair value, net of loan origination fees and inclusive of transaction costs incurred. Members' loans are subsequently measured at amortized cost, using the effective interest rate method, less any allowance for estimated credit losses.

***Foreclosed assets***

Foreclosed assets held for sale are initially recorded at the lower of cost and estimated net realizable value. Cost comprises the balance of the loan at the date on which the Credit Union obtains title to the asset plus subsequent disbursements related to the asset, less any revenues or lease payments received. Foreclosed assets are recorded as property held for resale or investment properties. Foreclosed assets held for sale are subsequently valued at the lower of their carrying amount and fair value less cost to sell. Losses arising on reduction of the net realizable value are charged to net loss.

***Property, plant and equipment***

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

Property, plant and equipment are recorded at cost. Depreciation is provided using the straight-line method at rates intended to depreciate the cost of the assets over their estimated useful lives:

	<b>Rate</b>
Buildings	8-50 years
Furniture and equipment	4-15 years
Leasehold improvements	Lease term to a maximum of 10 years
Right-of-use buildings	Lease term

The useful lives of items of property, plant and equipment are reviewed on an annual basis and the useful life is altered if estimates have changed significantly. Gains or losses on the disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in net loss.

***Intangible assets***

Amortization of limited life intangible assets is charged to comprehensive income on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use. The estimated useful lives for intangibles with finite lives are as follows:

	<b>Rate</b>
Licences	5-15 years
Software	5-10 years

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

***Impairment of non-financial assets***

At the end of each reporting period, the Credit Union reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Credit Union estimates the recoverable amount of the cash-generating units ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU's, or otherwise they are allocated to the smallest group of CGU's for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

**3. Material accounting policy information** *(Continued from previous page)*

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in net loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in net loss.

**Investment property**

Investment property is stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

All investment property having a limited useful life is depreciated using the straight-line method over the estimated useful lives. Land has an unlimited useful life and is therefore not depreciated. Investment property is depreciated from the date of acquisition.

The residual value, useful life and depreciation method is reviewed at least annually and adjusted if necessary. The depreciation rate applicable during the current and comparative period is as follows:

Buildings	<b>Rate</b> 40 years
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**Member deposits**

Member deposits are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest rate method.

**Other liabilities**

Accrued liabilities and accounts payable are stated at amortized cost, which approximates fair value due to the short term nature of these liabilities.

**Provisions**

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

**Member shares**

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

**Leases**

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.

**3. Material accounting policy information** *(Continued from previous page)*

**Leases** *(Continued from previous page)*

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. The Credit Union has elected to not separate non-lease components from lease components for leases of land and buildings, and instead accounts for each lease component and any associated non-lease components as a single lease component.

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.

After the commencement date, the Credit Union measures right-of-use assets related to buildings by applying the cost model, whereby the right-of-use asset is measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liability. The right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the lease term or the end of the useful life of the right-of-use asset. The estimated useful life of the right-of-use assets are determined on the same basis as those of property, plant and equipment. The determination of the depreciation period is dependent on whether the Credit Union expects that the ownership of the underlying asset will transfer to the Credit Union by the end of the lease term or if the cost of the right-of-use asset reflects that the Credit Union will exercise a purchase option.

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.

The Credit Union has elected to not recognize right-of-use assets and lease liabilities for short-term leases of computer equipment or furniture and equipment and low value leases of computer equipment or furniture and equipment. Short-term leases are leases with a term of twelve months or less. Low value leases are leases where the underlying asset has a new value of \$5,000 USD or less. The Credit Union recognizes the lease payments associated with these leases as an expense on either a straight-line basis over the lease term or another systematic basis if that basis is more representative of the pattern of the lessee's benefit.

The Credit Union assesses at lease inception whether a lease should be classified as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset; otherwise it is classified as an operating lease.

When the Credit Union is an intermediate lessor, the Credit Union classifies the sub-lease by reference to the right-of-use asset arising from the head lease unless the head lease is a short-term lease that the entity, as a lessee, has applied the recognition exemption to, in which case the sublease is classified as an operating lease.

Lease payments from operating leases are recognized as income on either a straight-line basis or another systematic basis if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished.



**3. Material accounting policy information** *(Continued from previous page)*

***Income taxes***

Current tax and deferred tax are recognized in profit or loss except to the extent that the tax is recognized either in other comprehensive income or directly in equity, or the tax arises from a business combination.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The calculation of current tax is based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting 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.

***Foreign currency translation***

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 the statement of loss.

***Financial instruments***

***Financial assets***

**Recognition and initial measurement**

The Credit Union recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

**Classification and subsequent measurement**

On initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The Credit Union determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

Financial asset classification is as follows:

- Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of members' loans receivable, investments in term deposits and accounts receivable.

**3. Material accounting policy information** *(Continued from previous page)*

- Fair value through other comprehensive income - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. Financial assets measured at fair value through other comprehensive income are comprised of derivative financial instruments and commercial bonds.
- Mandatorily at fair value through profit or loss - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. The Credit Union measures all equity investments at fair value. Changes in fair value are recorded in profit or loss. Financial assets measured at fair value through profit or loss are comprised of cash and equity investments.
- Designated at fair value through profit or loss – On initial recognition, the Credit Union may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. Where the Credit Union uses a credit derivative with a matching referenced name and seniority to manage all or part of a credit exposure, it may, at any time, designate that financial instrument to be measured at fair value through profit or loss to the proportional extent that it is so managed. The Credit Union does not hold any financial assets designated to be measured at fair value through profit or loss.

*Business model assessment*

The Credit Union assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed and information is provided to management. Information considered in this assessment includes stated policies and objectives, how performance of the portfolio is evaluated, risks affecting the performance of the business model, how managers of the business are compensated, and the significance and frequency of sales in prior periods.

*Contractual cash flow assessment*

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

**Reclassifications**

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

**Impairment**

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

**3. Material accounting policy information** *(Continued from previous page)*

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

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

The Credit Union applies the simplified approach for trade receivables. Using the simplified approach, the Credit Union records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Credit Union assesses whether a financial asset is credit-impaired at the reporting date. 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.

Loss allowances for expected credit losses are presented in the statement of financial position as follows:

- For financial assets measured at amortized cost, as a deduction from the gross carrying amount of the financial asset;
- For loan commitments and financial guarantee contracts, as a provision;
- For facilities with both a drawn and undrawn component where the Credit Union cannot separately identify expected credit losses between the two components, as a deduction from the carrying amount of the drawn component. Any excess of the loss allowance over the carrying amount of the drawn component is presented as a provision; and
- Financial assets are written off when the Credit Union has no reasonable expectations of recovering all or any portion thereof.

**Derecognition of financial assets**

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

For this purpose, a financial asset is transferred if the Credit Union either:

- Transfers the right to receive the contractual cash flows of the financial asset, or;
- Retains the right to receive the contractual cash flows of the financial asset, but assumes an obligation to pay received cash flows in full to one or more third parties without material delay and is prohibited from further selling or transferring the financial asset.

Transferred financial assets are evaluated to determine the extent to which the Credit Union retains the risks and rewards of ownership. When the Credit Union neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it evaluates whether it has retained control of the financial asset.

**Modification of financial assets**

The Credit Union assesses the modification of terms of a financial asset to evaluate whether its contractual rights to the cash flows from that asset have expired in accordance with the Credit Union's derecognition policy.

**3. Material accounting policy information** *(Continued from previous page)*

When the modifications do not result in derecognition of the financial asset, the gross carrying amount of the financial asset is recalculated with any difference between the previous carrying amount and the new carrying amount recognized in profit or loss. The new gross carrying amount is recalculated as the present value of the modified contractual cash flows discounted at the asset's original effective interest rate.

For the purpose of applying the impairment requirements, at each reporting date subsequent to the modification, the Credit Union continues to assess whether there has been a significant increase in credit risk on the modified financial assets from the date of initial recognition.

**Financial liabilities**

**Recognition and initial measurement**

The Credit Union recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Credit Union measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount.

**Classification and subsequent measurement**

Subsequent to initial recognition, financial liabilities are measured at amortized cost or fair value through profit or loss.

All other financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities measured at amortized cost include member deposits and other liabilities.

The classification of a financial instrument or component as a financial liability or equity instrument determines where gains or losses are recognized. Interest, dividends, gains and losses relating to financial liabilities are recognized in profit or loss while distributions to holders of instruments classified as equity are recognized in equity.

Financial liabilities are not reclassified subsequent to initial recognition.

**Derecognition of financial liabilities**

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

**Derivatives and hedge accounting**

Derivatives are initially recognized at fair value on the date the Credit Union becomes party to the provisions of the contract, and are subsequently remeasured at fair value at the end of each reporting period. Changes in the fair value of derivatives not designated as a hedging instrument are recognized in profit or loss.

The Credit Union designates certain derivative financial instruments as the hedging instrument in qualifying hedging relationships in order to better reflect the effect of its risk management activities in the financial statements.

Qualifying hedging relationships are those where there is an economic relationship between the hedged item and the hedging instrument, the effect of credit risk does not dominate the value changes that result from that economic relationship, and the hedge ratio of the hedging relationship is the same as that resulting from the actual quantities of the hedging instrument and the hedged item that the Credit Union uses for hedging purposes.

At inception of the hedging relationship, the Credit Union documents the economic relationship between the hedging instrument(s) and the hedged item(s), along with its risk management objective and strategy.

**Fair value hedges**

The Credit Union in accordance with its risk management strategies, manages interest rate risk through interest rate swaps.

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

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

**3. Material accounting policy information** *(Continued from previous page)*

- The effectiveness of the hedge can be reliably measured; and
- The hedge is expected to be highly effective at inception and remains highly effective on each date it is tested. The Credit Union tests the effectiveness of its hedges on an annual basis.

Changes in the fair value of the hedging instrument are recognized immediately in profit or loss together with changes in the fair value of the hedged item that are attributable to the risks being hedged. Where the hedged item is an equity investment for which the Credit Union has elected to present changes in fair value in other comprehensive income, the changes in the fair value of the hedged item and the hedging instrument are recognized in other comprehensive income (loss).

Where the Credit Union has designated a group of assets and/or liabilities in a fair value hedge, gains and losses are presented in the statement of financial position as an adjustment to the carrying amount of the respective individual items comprising the group.

For hedges of groups of items that have offsetting risk positions, hedging gains or losses are presented in the statement of profit or loss in other interest revenue/expense.

When the hedged item is a financial instrument measured at amortized cost, adjustments to the hedged item are amortized to profit or loss. Amortization may begin as soon as a hedging adjustment exists but no later than when the hedged item ceases to be adjusted for hedging gains and losses. Amortization is based on a recalculated effective interest rate calculated at the date that amortization begins.

**Cash flow hedges**

The Credit Union uses cash flow hedges to hedge its exposure to the variability of cash flows related to variable interest bearing instruments or the forecasted assurance of fixed rate liabilities. The Credit Union's cash flow hedges include hedges of floating rate loans, embedded derivatives and other derivatives related to index-linked deposits.

The Credit Union accumulates changes in fair value related to the effective portion of the hedging instrument in the cash flow hedge reserve within equity. The effective portion of the hedge is equal to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item from inception of the hedge. The ineffective portion of changes in the fair value of the hedging instrument is recognized immediately in profit or loss.

When the hedged item is a forecast transaction that subsequently results in recognition of a non-financial asset or liability, the amounts accumulated in the cash flow hedge reserve are removed from equity and included directly in the initial cost or other carrying amount of the asset or liability. This adjustment does not affect other comprehensive income, unless that amount is a loss and the Credit Union expects that all or a portion of the loss will not be recovered in future periods. In this case, the Credit Union immediately reclassifies the amount not expected to be recovered to profit or loss as a reclassification adjustment.

Otherwise, amounts accumulated in the cash flow hedge reserve are reclassified to profit or loss as a reclassification adjustment in the same period(s) during which the hedged expected future cash flows affect profit or loss. The amounts reclassified to profit or loss are presented in the same line item as the underlying hedged transaction.

When hedge accounting is discontinued for a cash flow hedge and the hedged future cash flows are still expected to occur, accumulated hedging gains or losses remain in the cash flow hedge reserve until such time as the future cash flows occur and are then accounted for as described above. If the hedged future cash flows are no longer expected to occur, accumulated hedging gains and losses are immediately reclassified to profit or loss.

**Rebalancing and discontinuation of hedging relationships**

If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedging relationship continues to qualify for hedge accounting, the hedging ratio is rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item to realign the hedge ratio with the ratio used for risk management purposes. Hedge ineffectiveness is recognized in profit or loss at the time of rebalancing.

Hedge accounting is discontinued prospectively when the hedging relationship ceases to meet the qualifying criteria, including instances where the hedging instrument expires or is sold, terminated or exercised.

**3. Material accounting policy information** *(Continued from previous page)*

***Distributions to members***

Patronage distributions per member are determined based on each members actual use of Credit Union services and on the overall financial operations of the Credit Union in any given year. Patronage amounts are payable at the discretion of the Board of Directors.

***Fair value measurements***

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

- Level 1: Quoted prices (unadjusted) are available in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Unobservable inputs in which there is little or no market data, which require the Credit Union to develop its own assumptions.

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

***Revenue recognition***

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

**Interest**

Interest income and expense are recognized in profit or loss using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments 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, except for the 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.

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.

**Other revenue**

The Credit Union generates revenue from other revenue streams including services charges, loan fees and penalties, and commissions. Revenue is recognized as services are rendered.

The member obtains the benefit of having the Credit Union perform a revenue generating service. This occurs immediately when the service is performed; therefore, revenue is recognized at that point in time.

Consideration is typically due when the policy has been rendered to the member. The amount of revenue recognized on these transactions is based on the price specified in the contract.

Management has not made any judgments in determining the amount of costs incurred to obtain or fulfil a contract with a member as it does not expect these costs to be recovered. Such costs are expensed in the period in which they are incurred.

**Osoyoos Credit Union**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2024*

**4. Investments**

	2024	2023
<b>Term deposits</b>		
Amortized cost		
Term deposits due by March 31, 2025 or earlier, bearing interest at 4.79%	-	2,000,000
Term deposits due between April 1 and December 31, 2025, bearing interest between 4.13% - 5.26% (2023 - 5.25% - 5.61%)	<b>1,106,740</b>	2,529,600
Term deposits due more than 1 year, bearing interest between 1.93% - 5.22% (2023 - 1.93% - 5.22%)	<b>4,968,860</b>	3,498,040
Accrued interest	<b>60,723</b>	157,144
	<b>6,136,323</b>	8,184,784
<b>Portfolio investments</b>		
Fair value through other comprehensive income		
Commercial bonds bearing interest between 0.00% - 8.29% (2023 - 0.00% - 7.50%)	<b>58,815,039</b>	60,433,052
Accrued interest	<b>400,660</b>	323,051
	<b>59,215,699</b>	60,756,103
<b>Equity investments</b>		
Fair value through profit or loss		
Central 1 shares - Class A	<b>53,809</b>	56,368
Central 1 shares - Class E	<b>35</b>	35
Stabilization Credit Union Shares	<b>141</b>	141
	<b>53,985</b>	56,544
	<b>65,406,007</b>	68,997,431

**Liquidity reserve deposit**

The Credit Union must maintain liquid reserve deposits at 8% of total member deposits at December 31 each year. The deposits can be withdrawn only if there is a sufficient reduction in the Credit Union's total member deposits or upon withdrawal of membership from Central 1. At maturity, the liquidity reserves are reinvested at market rates for various terms.

Central 1 is the central financial association for the British Columbia and Ontario Credit Union systems. Investment in shares of Central 1 is required by governing legislation and as a condition of membership in Central 1.

**Osoyoos Credit Union**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2024*

5. **Property, plant and equipment**

	<i>Land</i>	<i>Buildings</i>	<i>Furniture and equipment</i>	<i>Leasehold Improvements</i>	<i>Right-of-use buildings</i>	<i>Total</i>
<b>Cost</b>						
Balance at December 31, 2022	84,770	3,436,883	675,811	71,234	143,933	4,412,631
Additions	-	-	81,063	23,613	-	104,676
Disposals	-	-	(108,876)	-	-	(108,876)
Balance at December 31, 2023	84,770	3,436,883	647,998	94,847	143,933	4,408,431
Additions	-	-	81,325	-	32,364	113,689
Disposals	-	-	-	-	(31,599)	(31,599)
Balance at December 31, 2024	84,770	3,436,883	729,323	94,847	144,698	4,490,521
<b>Depreciation</b>						
Balance at December 31, 2022	-	1,386,770	324,862	1,187	11,439	1,724,258
Depreciation expense	-	84,731	64,475	16,430	27,033	192,669
Disposals	-	-	(59,096)	-	-	(59,096)
Balance at December 31, 2023	-	1,471,501	330,241	17,617	38,472	1,857,831
Depreciation expense	-	84,731	76,793	19,497	27,129	208,150
Disposals	-	-	-	-	(31,599)	(31,599)
Balance at December 31, 2024	-	1,556,232	407,034	37,114	34,002	2,034,382
<b>Net book value</b>						
December 31, 2023	84,770	1,965,382	317,757	77,230	105,461	2,550,600
<b>December 31, 2024</b>	<b>84,770</b>	<b>1,880,651</b>	<b>322,289</b>	<b>57,733</b>	<b>110,696</b>	<b>2,456,139</b>

Included in property, plant and equipment is \$nil (2023 - \$9,800) of furniture and equipment not yet available for use. No amortization has been taken on this amount.



**Osoyoos Credit Union**  
**Notes to the Financial Statements**  
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**6. Intangible assets**

	<i>Software</i>	<i>Licences</i>	<i>Total</i>
<b>Cost</b>			
Balance at December 31, 2022	541,341	190,718	732,059
Additions	83,906	-	83,906
Disposals	(26,871)	-	(26,871)
<hr/>			
Balance at December 31, 2023	598,376	190,718	789,094
Additions	18,468	-	18,468
Disposals	(32,548)	-	(32,548)
<hr/>			
Balance at December 31, 2024	584,296	190,718	775,014
<hr/>			
<b>Accumulated Amortization</b>			
Balance at December 31, 2022	371,918	103,594	475,512
Amortization expense	29,927	6,984	36,911
Disposals	(26,871)	-	(26,871)
<hr/>			
Balance at December 31, 2023	374,974	110,578	485,552
Amortization expense	41,146	14,906	56,052
Disposals	(32,548)	-	(32,548)
<hr/>			
Balance at December 31, 2024	383,572	125,484	509,056
<hr/>			
<b>Carrying amounts</b>			
December 31, 2023	223,402	80,140	303,542
<b>December 31, 2024</b>	<b>200,724</b>	<b>65,234</b>	<b>265,958</b>

Included in intangible assets is \$nil (2023 - \$80,957) of software not yet available for use. No amortization has been taken on this amount.

**7. Other assets**

	<i>2024</i>	<i>2023</i>
Prepaid expenses and deposits	506,817	357,577
Accounts receivable	336	90,764
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	<b>507,153</b>	448,341
<hr/>		

**Osoyoos Credit Union**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2024*

**8. Investment property**

Changes to the carrying amount of investment property are as follows:

	<b>2024</b>	2023
Carrying amount, beginning of year	<b>208,642</b>	212,242
Depreciation	<b>(3,600)</b>	(3,600)
<b>Carrying amount, end of year</b>	<b>205,042</b>	208,642

**9. Member deposits**

	<b>2024</b>	2023
Demand deposits	<b>63,697,358</b>	63,455,251
Term deposits	<b>84,770,941</b>	87,336,595
Registered plans	<b>44,153,324</b>	39,473,914
Dormant account	<b>21,227</b>	28,459
Non-equity shares	<b>23,127</b>	23,127
Accrued interest	<b>2,326,558</b>	2,310,252
	<b>194,992,535</b>	192,627,598

Included in registered plans are retirement savings plans, retirement income funds, educational savings plans, and tax free savings accounts.

**10. Derivatives**

The Credit Union enters into derivative financial instruments for risk management purposes. Derivative financial instruments used by the Credit Union include:

- Interest rate swaps, which are used to hedge the Credit Union's exposure to interest rate risk.
- Foreign exchange forward contracts, which are used to hedge the Credit Union's exposure to foreign exchange risk.
- Index-linked call options, which are used to directly hedge member index-linked deposits.

The notional amounts of these derivative financial instruments are not recorded in the financial statements. Derivatives are recorded at fair value on the statement of financial position. The fair value of the derivative financial instruments at December 31, 2024 were \$67,342 (2023 - \$371,551).

Derivative financial information:

	Within 1 year	1-5 years	> 5 years	Notional amounts		Fair Values	
				2024	2023	2024	2023
Interest rate swaps	5,000,000	-	-	5,000,000	10,000,000	<b>(67,342)</b>	(371,551)

**Osoyoos Credit Union**  
**Notes to the Financial Statements**  
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**11. Lease liabilities**

***Leases as lessee***

The Credit Union leases buildings for some of its ATM locations. These leases span periods of 1-5 years and include several options to renew the lease for an additional 1-5 years 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 5 for information pertaining to right-of-use assets arising from lease arrangements in which the entity is a lessee.

***Lease liabilities***

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

	<b>2024</b>	<b>2023</b>
<b>Maturity analysis – contractual undiscounted cash flows</b>		
Less than one year	<b>29,199</b>	24,285
One to five years	<b>60,899</b>	60,000
More than five years	<b>28,000</b>	52,000
<b>Total undiscounted lease liabilities</b>	<b>118,098</b>	136,285
<b>Discounted lease liabilities included in the statement of financial position</b>	<b>112,383</b>	106,777
Current	<b>27,577</b>	23,232
Non-current	<b>84,806</b>	83,545

***Amounts recognized in profit or loss***

The Credit Union has recognized the following amounts in the statement of loss:

	<b>2024</b>	<b>2023</b>
Interest expense on lease liabilities	<b>1,827</b>	2,072

**12. Income taxes**

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

	<b>2024</b>	<b>2023</b>
<b>Current income tax expense</b>		
Based on current year taxable income	<b>(48,871)</b>	(163,650)
<b>Deferred income tax expense</b>		
Origination and reversal of temporary differences	<b>(15,802)</b>	106,151
	<b>(64,673)</b>	(57,499)

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**Notes to the Financial Statements**  
*For the year ended December 31, 2024*

**12. Income taxes** *(Continued from previous page)*

Reasons for the difference between tax expense for the year and the expected income taxes based on the statutory tax rate of 27% (2023 - 27%) are as follows:

	2024	2023
Loss before income taxes	<b>(586,788)</b>	(618,788)
Income tax recovery on the statutory rate	<b>(158,432)</b>	(167,073)
Preferred rate deduction for Credit Unions	<b>(114,932)</b>	(39,885)
Items not taxable/deductible for tax purposes	<b>224,493</b>	(27,797)
Previous loss applied	-	71,105
	<b>(48,871)</b>	(163,650)

The movement in 2024 deferred income tax assets and liabilities are:

	Jan 1, 2024	Recognized in income	Dec 31, 2024
<b>Deferred income tax assets:</b>			
Loan loss allowance	-	247	<b>247</b>
Retirement allowance	5,526	112	<b>5,638</b>
Other liabilities	6,130	6,231	<b>12,361</b>
	11,656	6,590	<b>18,246</b>
<b>Deferred income tax liabilities:</b>			
Property, plant and equipment	134,571	(9,212)	<b>125,359</b>
Net deferred tax liability	(122,915)	15,802	<b>(107,113)</b>

The movement in 2023 deferred income tax assets and liabilities are:

	Jan 1, 2023	Recognized in income	Dec 31, 2023
<b>Deferred income tax assets:</b>			
Loan loss allowance	70	(70)	-
Retirement allowance	5,103	423	5,526
Other liabilities	7,195	(1,065)	6,130
Non-capital loss carried forward	110,972	(110,972)	-
	123,340	(111,684)	11,656
<b>Deferred income tax liabilities:</b>			
Property, plant and equipment	140,104	(5,533)	134,571
Net deferred tax liability	(16,764)	(106,151)	(122,915)

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**13. Member shares**

	Authorized	2024		2023	
		Equity	Liability	Equity	Liability
Membership equity shares	Unlimited	<b>152,745</b>	<b>265,642</b>	192,123	258,928
Investment equity shares	Unlimited	-	-	-	299,704
		<b>152,745</b>	<b>265,642</b>	192,123	558,632

Terms and conditions

*Membership equity shares*

As a condition of membership, which is required to use the services of the Credit Union, each member is required to hold a certain amount of membership shares. These membership shares are redeemable at par only when a membership is withdrawn subject to a 10% redemption maximum based on the prior years issued and outstanding total. The authorized shares for new issuances of Class A shares is unlimited. Dividends are declared and paid at the discretion of the Board of Directors.

Funds invested by members in member shares are not insured by CUDIC. The withdrawal of member shares is subject to the Credit Union maintaining adequate regulatory capital (see Note 18), as is the payment of any dividends on these shares. Member holdings of Class A membership share is limited to 1,000 shares. Membership shares that are available for redemption are classified as a liability and shares subject to redemption restrictions are classified as equity.

*Investment shares*

Class B investment shares were issued to increase capital and are no longer offered by the Credit Union. They are non-voting and are redeemable at par only when requested by a member. There is a 3,000 share limit which can be held by a member. Investment shares are all available for redemption at any time and are therefore classified as a liability. Dividends are declared and paid at the discretion of the Board of Directors. All Class B investment shares were converted into term deposits during the year.

*Patronage amounts*

Patronage distributions per member are determined based on member actual use of Credit Union services and on the overall financial operations of the Credit Union in any given year. Patronage amounts are declared and paid at the discretion of the Board of Directors.

Total patronage and dividends of \$16,529 (2023 - \$37,368) were recognized through income while \$nil was recognized in equity (2023 - \$nil).

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For the year ended December 31, 2024

**14. Operating and administrative expenses**

	2024	2023
Advertising and promotion	47,000	87,621
Annual general meeting	2,599	2,944
Data processing	232,852	344,578
Education and travel	79,326	75,218
Insurance	37,926	45,221
Interest and bank charges	85,903	185,432
Investment property expenses	36,568	24,526
Office	99,055	99,252
Other expenses	422,744	431,412
Professional fees	375,164	314,667
Scholarships	5,500	3,000
Telephone	35,716	34,758
	1,460,353	1,648,629

**15. Related party transactions**

***Key management compensation of the Credit Union***

The Credit Union entered into the following transactions with key management personnel ("KMP"), 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 personnel, along with their close family members.

	2024	2023
Salaries, and other short-term employee benefits	485,886	500,644
Total pension and other post-employment benefits	18,212	16,189
	504,098	516,833

***Transactions with key management personnel***

The Credit Union's policy for lending to key management personnel is that the loans are approved and accepted on the same terms and conditions which apply to members for each class of loan. There are nominal benefits and no concessional terms and conditions applicable to related parties.

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

	2024	2023
Member loans		
Aggregate value of loans advanced	4,384,200	3,993,253
Interest received on loans advanced	194,604	135,688
Total value of lines of credit advanced	489,317	490,584
Interest received on lines of credit advanced	31,887	31,918
Unused value of lines of credit	183,650	224,193

	2024	2023
Member deposits		
Aggregate value of demand, term and registered deposits	515,599	1,311,858
Total interest paid on demand, term and registered deposits	21,209	17,351

**15. Related party transactions** *(Continued from previous page)*

The Credit Union's policy for receiving deposits from key 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 related parties.

**16. Financial instruments**

All significant financial assets, financial liabilities and equity instruments of the Credit Union are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk.

**Credit risk**

Credit risk is the risk of financial loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations to the Credit Union. The risk can relate to statement of financial position assets such as loans, as well as off statement of financial position assets such as investments in debt securities, and the Credit Union's lending activities.

Overall monitoring and processes will change as deemed necessary in response to the ongoing economic impact of the rapid changes in interest rates and high inflation environment. This has and will include changes to the current processes to ensure that the overall portfolio is secured and the Credit Union will continue to support members and find their optimal credit solutions. The stages of expected credit loss within the loan portfolio, if affected by these items, will be adjusted as necessary as we progress through the pandemic and resulting economic impacts.

**Risk management process**

Credit risk management is integral to the Credit Union's activities. The Board of Directors are responsible for developing and implementing the credit risk management practices of the Credit Union by establishing the relevant policies and procedures. Management carefully monitors and manages the Credit Union's exposure to credit risk by reviewing member credit extension policies and guidelines and reviewing the performance of loan portfolios, including default events and past due status. The risk management process starts at the time of a member credit application and continues until the loan is fully repaid. The primary credit risk management policies and procedures include the following:

- Lending policy statements including approval of lending policies, eligibility for loans, exceptions to policy and policy administration.
- Delegated lending authorities, which are clearly communicated to personnel engaged in the credit granting process and a defined approval process for loans in excess of those limits.
- Loan collateral security classifications which set loan classifications, advance ratios and amortization periods.
- Procedures outlining loan overdrafts, release or substitution of collateral, temporary suspension of payments and loan renegotiations.
- Early recognition of problem accounts, loan delinquency controls and procedures for loans in arrears.
- Appointment of personnel engaged in credit granting who are qualified.
- Management of growth within quality objectives.
- Audit procedures and processes in existence for all levels of Credit Union lending activities.
- Loan syndication processes.

The Credit Union's credit risk policies, processes and methodologies are reviewed periodically to ensure they remain relevant and effective in managing credit risk.

To meet the needs of its members and to manage its own exposure to fluctuations in interest rates, the Credit Union participates in various commitments and contingent liability contracts. The primary purpose of these contracts is to make funds available for the financing needs of customers. These are subject to normal credit standards, financial controls, risk management and monitoring procedures.

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

The Credit Union makes the following instruments available to its members:

- Guarantees and standby letters of credit representing irrevocable assurances that the Credit Union will pay if a member cannot meet their obligations to a third party
- Commitments to extend credit representing unused portions of authorizations to extend credit in the form of loans (including lines of credit and credit cards), guarantees or letters of credit.

See Note 17 for commitments that the Credit Union has entered into as of December 31, 2024.

**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 and advances 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.

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;
- Facts or conditions are present indicating a borrower's inability to meet its debt obligations;
- The probability of default at the reporting date has increased significantly from the time of recognition.

When a financial instrument is considered to have low credit risk and does not fall within the risk management process, it is assumed that there has not been a significant increase in credit risk since initial recognition. Financial instruments considered to have low credit risk include investments and derivative financial instruments.

When the contractual terms of a financial asset have been modified or renegotiated and the financial asset has not been derecognized, the Credit Union assesses for significant increases in credit risk by consideration of its ability to collect interest and principal payments on the modified financial asset, the reason for the modifications, the borrower's payment performance compared to the modified contractual terms and whether such modifications increase the borrower's ability to meet its contractual obligations.

Where the contractual cash flows of a financial asset have been modified while the loss allowance of that asset is measured at an amount equal to lifetime expected credit losses, the Credit Union determines whether the credit risk of that financial asset has improved to the extent that the loss allowance reverts to being measured at an amount equal to 12-month expected credit losses. The Credit Union makes this determination by evaluating the credit risk of the modified financial asset and comparing with documentation of the borrower's initial credit assessment at the time of the initial borrowing. The Credit Union considers the credit risk to have decreased when there is evidence that the quantitative or qualitative indicator for a significant increase in credit risk no longer exists for a particular financial asset. Subsequently, management monitors these assets to determine the extent to which expected credit losses revert to being measured at an amount equal to lifetime expected credit losses.



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

The Credit Union identifies credit-impaired financial assets through regular reviews of past due balances and credit assessments of its customers. Credit-impaired financial assets are typically placed on the Credit Union's watch list based on its internal credit risk policies. In making this assessment, the Credit Union considers observable data about the following events:

- Significant financial difficulty of the borrower;
- A breach of contract, such as a default or past due event;
- The credit union, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the credit union would not otherwise consider; and
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

As it may not be possible to identify a single discrete event, a combined effect of several events may result in a financial asset to become credit-impaired.

*Measurement of expected credit losses*

The Credit Union measures expected credit losses for member loans 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 security held. 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.

Significant judgments, 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 prepayments, 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.

*Write-offs*

Financial assets are written off when there is no reasonable expectation of recovery. The Credit Union assesses that there is no reasonable expectation of recovery when the security relating to the loan has been sold and there are remaining amounts outstanding, the borrower has filed for bankruptcy and the trustee has indicated that no additional funds will be paid. Where an asset has been written off but is still subject to enforcement activity, the asset is written off but remains on a list of delinquent accounts. Where information becomes available indicating the Credit Union will receive funds, such amounts are recognized at their fair value.

**Exposure to credit risk**

The following table sets out information about the credit quality of financial assets assessed for impairment under IFRS 9 *Financial instruments*. The amounts in the table, unless otherwise indicated, represent the assets' gross carrying amount.

The gross carrying amount of financial assets represents the maximum exposure to credit risk for that class of financial asset.

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

	12-month ECL	2024 Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
<b>Consumer mortgages</b>				
Low risk	104,730,141	-	-	104,730,141
Medium risk	-	-	-	-
Default	-	-	334,010	334,010
Total gross carrying amount	104,730,141	-	334,010	105,064,151
Less: loss allowance	36,705	-	-	36,705
Total carrying amount	104,693,436	-	334,010	105,027,446
<b>Consumer loans</b>				
Low risk	2,157,761	-	-	2,157,761
Medium risk	-	2,001	-	2,001
Default	-	-	7,327	7,327
Total gross carrying amount	2,157,761	2,001	7,327	2,167,089
Less: loss allowance	3,775	14	5,639	9,428
Total carrying amount	2,153,986	1,987	1,688	2,157,661
<b>Commercial loans</b>				
Low risk	26,643,796	-	-	26,643,796
Medium risk	-	477,307	-	477,307
Default	-	-	-	-
Total gross carrying amount	26,643,796	477,307	-	27,121,103
Less: loss allowance	40,375	2,504	-	42,879
Total carrying amount	26,603,421	474,803	-	27,078,224
<b>Members' loans receivable</b>				
Total gross carrying amount	133,531,698	479,308	341,337	134,352,343
Add: accrued interest	251,271	1,666	10,114	263,051
Less: loss allowance	80,855	2,518	5,639	89,012
Total carrying amount	133,702,114	478,456	345,812	134,526,382

**Osoyoos Credit Union**  
**Notes to the Financial Statements**  
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**16. Financial instruments** *(Continued from previous page)*

	12-month ECL	2023 Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
<b>Consumer mortgages</b>				
Low risk	94,266,777	-	-	94,266,777
Medium risk	-	475,035	-	475,035
Default	-	-	-	-
Total gross carrying amount	94,266,777	475,035	-	94,741,812
Less: loss allowance	46,163	791	-	46,954
Total carrying amount	94,220,614	474,244	-	94,694,858
<b>Consumer loans</b>				
Low risk	8,314,063	-	-	8,314,063
Medium risk	-	219,989	-	219,989
Default	-	-	1,954	1,954
Total gross carrying amount	8,314,063	219,989	1,954	8,536,006
Less: loss allowance	6,596	128	-	6,724
Total carrying amount	8,307,467	219,861	1,954	8,529,282
<b>Commercial loans</b>				
Low risk	24,435,821	-	-	24,435,821
Medium risk	-	890,377	-	890,377
Default	-	-	-	-
Total gross carrying amount	24,435,821	890,377	-	25,326,198
Less: loss allowance	29,863	2,047	-	31,910
Total carrying amount	24,405,958	888,330	-	25,294,288
<b>Members' loans receivable</b>				
Total gross carrying amount	127,016,661	1,585,401	1,954	128,604,016
Add: accrued interest	213,074	3,707	-	216,781
Less: loss allowance	82,622	2,965	-	85,587
Total carrying amount	127,147,113	1,586,143	1,954	128,735,210

As at December 31, 2024, the maximum exposure to credit risk with respect to members' loan receivable without taking into account collateral held or other credit enhancements is \$134,615,394 (2023 - \$128,820,797). The Credit Union holds senior-ranking general security claims and property backed personal financial guarantees with respect to members' loan receivable.

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

**Amounts arising from expected credit losses**

*Reconciliation of the allowance for impaired loans*

The following tables show a reconciliation of the opening to the closing balance of the loss allowance by class of financial instrument.

	<i>12-month ECL</i>	<i>Lifetime ECL (not credit impaired)</i>	<i>Lifetime ECL (credit impaired)</i>	<i>Total</i>
<b>Allowance for impaired loans</b>				
Balance at December 31, 2022	53,424	1,978	4,642	60,044
Impairment losses	24,658	885	-	25,543
Write-offs, net of recoveries	4,540	102	(4,642)	-
Balance at December 31, 2023	82,622	2,965	-	85,587
Impairment losses	5,811	181	405	6,397
Write-offs, net of recoveries	(7,578)	(628)	5,234	(2,972)
Balance at December 31, 2024	80,855	2,518	5,639	89,012

**Market risk**

Market risk is the risk of a loss that may arise from financial market factors such as interest rates, foreign exchange rates, and equity or commodity prices. The Credit Union is exposed to market risk when making loans, taking deposits and making investments, which are all part of its asset/liability management activities. The level of market risk to which the Credit Union is exposed varies depending on market conditions and expectation of future price and yield movements. The Credit Union's material market risks are confined to interest rates and, to a limited extent, foreign exchange, as discussed below.

**Interest rate risk**

Interest rate risk arises mainly from the different re-pricing dates of cash flows associated with interest sensitive assets and liabilities. Certain products have embedded options, such as, loan prepayment and deposit redemption, which also impact interest rate risk.

**Risk measurement**

The Credit Union measures its interest rate risk on a quarterly basis. Measures include the sensitivity of financial margin and equity value to changes in rates, duration parameters, as well as simulation modelling.

**Objectives, policies and procedures**

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

Schedules of matching and interest rate vulnerability are regularly prepared and monitored by Credit Union management and reported to the Board on a quarterly basis. Board reports are then submitted to BCFSA on a monthly basis.

The Credit Union's potential risk due to changes in interest rates is provided below. All interest rate risk measures are based upon interest rate exposure at a specific time and continuously change as a result of business activities and the Credit Union's risk management initiatives.

**Osoyoos Credit Union**  
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**16. Financial instruments** (Continued from previous page)

	2024	2023
1% increase in interest rate		
Impact on financial margin (for the next 12 months)	(235,000)	(212,000)
1% decrease in interest rates		
Impact on financial margin (for the next 12 months)	188,000	180,000

	<i>(In thousands)</i>						
	<i>Variable rate</i>	<i>Under 1 Year</i>	<i>1-4 Years</i>	<i>Over 4 Years</i>	<i>Non-Interest Sensitive</i>	2024	2023
<b>Assets</b>							
Cash	2,538	-	-	-	1,237	3,775	3,064
Average yield %	3.40	-	-	-	-	3.40	5.15
Investments	-	4,115	28,897	31,878	516	65,406	68,997
Average yield %	-	3.21	3.81	4.18	-	3.90	3.76
Member loans	15,317	34,959	71,235	12,841	174	134,526	128,735
Average yield %	6.57	4.73	4.78	4.97	-	4.93	4.71
Other assets	-	-	-	-	-	-	91
	<b>17,855</b>	<b>39,074</b>	<b>100,132</b>	<b>44,719</b>	<b>1,927</b>	<b>203,707</b>	200,887
<b>Liabilities</b>							
Member deposits	9,769	99,148	24,174	1,356	60,546	194,993	192,628
Average yield %	0.74	3.67	3.84	3.10	-	2.46	2.97
Other liabilities and member shares	-	-	-	-	806	806	1,177
Derivative financial instrument	-	-	-	-	67	67	372
Lease liabilities	-	28	35	49	-	112	107
Average yield %	-	2.57	2.57	1.35	-	1.96	1.96
	<b>9,769</b>	<b>99,176</b>	<b>24,209</b>	<b>1,405</b>	<b>61,419</b>	<b>195,978</b>	194,357
<b>Mismatch</b>							
Derivative notional amount	8,086	(60,102)	75,923	43,314	(59,492)	7,729	6,530
	-	5,000	-	-	-	5,000	-
<b>Net sensitivity</b>	<b>8,086</b>	<b>(55,102)</b>	<b>75,923</b>	<b>43,314</b>	<b>(59,492)</b>	<b>12,729</b>	6,530

**Currency risk**

Foreign exchange risk arises when there is a mismatch between assets and liabilities denominated in a foreign currency. In providing services to its members, the Credit Union maintains assets and liabilities denominated in U.S. dollars.

Foreign currency risk is not considered significant at this time as the Credit Union does not engage in any active trading of foreign currency positions or hold significant excess foreign currency denominated financed investments for an extended period.

At December 31, 2024, the Credit Union's exposure to foreign exchange risk was not significant.

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

**Liquidity risk**

Liquidity and funding risk is the risk that the Credit Union may not be able to gather sufficient cash resources in a timely and cost effective manner to meet its financial obligations as they become due. The Credit Union has a strong liquidity base and has a well-established contingency plan to access if required.

**Risk measurement**

The Credit Union measures and manages risk from different perspectives. The Credit Union monitors cash resources daily in order to address normal day-to-day funding requirements and ensure regulatory compliance. It also measures overall maturity of assets and liabilities, longer-term cash and funding needs and contingency planning. The assessment of the Credit Union's liquidity position reflects management's estimates, assumptions and judgments pertaining to current and prospective conditions of the Credit Union, the markets and the related behaviour of members and counterparties.

**Objectives, policies and procedures**

The Credit Union's liquidity management framework is designed to ensure that adequate sources of reliable and cost effective cash or its equivalents are continually available to satisfy its current and prospective financial commitments under normal and contemplated stress conditions. Maintenance of a prudent liquidity base also provides flexibility to fund loan growth and react to other market opportunities. This includes ensuring adequate funding is available from Central 1 and alternate third party sources.

Legislation requires that the Credit Union maintain liquid assets in trust with Central 1 of at least 8% of deposit and debt liabilities. Regulatory liquidity is reported to the Board monthly and the ILC receives regular reporting of available cash resources and utilization rates. The Credit Union strives to maintain a stable volume of base deposits originating from its members, as well as diversified funding sources. The Credit Union was in compliance with the regulatory liquidity requirements throughout the year. At December 31, 2024, the Credit Union's total liquidity ratio was 9.22% (2023 - 8.88%) and the Credit Union's liquidity deposits exceeding the minimum requirement by \$3,129,292 (2023 - \$2,399,981).

**17. Commitments**

**Contractual obligations**

The Credit Union has a commitment to acquire on-line data processing services through Open Solutions Canada that expires in December 2028. The fixed annual payments for core contracted services is \$95,828 plus a variable charge based on use. The total charge for the year was \$127,108 (2023 - \$97,908).

The Credit Union has a commitment to lease equipment and have IT services provided to them through F12.net that expires in October 2025. There are no fixed payments for this contract, and variable charges are based on the amount of equipment leased and the amount of IT support provided. The total charge for the year was \$173,452 (2023 - \$257,622).

**Credit facilities**

The Credit Union has available to it, through Central 1, a \$750,000 CAD and \$250,000 USD demand operating line of credit secured by a demand debenture and the general assignment of book debts. The outstanding balance at December 31, 2024 was \$nil (2023 - \$nil).

**Osoyoos Credit Union**  
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17. **Commitments** (Continued from previous page)

**Member loans**

The Credit Union has the following commitments to its members in loans, unused lines of credit and letters of credit, and off-balance sheet loans granted through Canada Emergency Business Account which are guaranteed by the Government of Canada, therefore are subject to very low credit risk.

	2024	2023
Unadvanced loans	1,425,545	2,048,317
Unused lines of credit	20,711,679	19,603,753
Letters of credit	29,189	29,189
Off-balance sheet loans granted through Canada Emergency Business Account	400,000	1,000,000
	<b>22,566,413</b>	<b>22,681,259</b>

18. **Capital management**

In managing its capital, the Credit Union's primary objective is to ensure it maintains adequate liquidity to meet its financial obligations, make necessary capital purchases and support ongoing business. The Credit Union monitors and assesses its financial performance to ensure it is meeting its objectives.

The Financial Institutions Act (British Columbia) requires the Credit Union to maintain, at all times, a capital base which is adequate in relation to the business carried on. The level of capital required is based on a prescribed percentage of the total value of risk weighted assets, each asset of the Credit Union being assigned a risk factor based on the probability that a loss may be incurred on the ultimate realization of that asset.

The Financial Institutions Act (British Columbia) regulations prescribe that the minimum required capital ratio exceeds 8.0% for the Credit Union's fiscal year. At December 31, 2024, the Credit Union's capital ratio is 14.22% (2023 - 14.91%), exceeding the minimum requirement.

The Credit Union considers its capital to include membership shares (member shares and investment shares), and undivided earnings. There have been no changes in what the Credit Union considers to be capital since the previous period.

The Credit Union establishes the risk weighted value of its assets in accordance with the Regulations of Credit Union which establishes the applicable percentage for each class of assets. The Credit Union's risk weighted value of its assets as at December 31, 2024 was \$91,020,393 (2023 - \$92,029,935).

	2024	2023
<b>Primary capital</b>		
Retained earnings	10,625,887	11,148,002
Membership equity shares	418,387	451,051
Deferred income tax	107,113	122,915
	<b>11,151,387</b>	<b>11,721,968</b>
<b>Secondary capital</b>		
Share of system retained earnings	2,039,298	1,877,074
Other equity shares	-	299,704
Dividends to be paid as secondary capital	22,500	46,427
Deductions from capital	(265,958)	(222,585)
	<b>12,947,227</b>	<b>13,722,588</b>

**Osoyoos Credit Union**  
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*For the year ended December 31, 2024*

**19. Fair value measurements**

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

The Credit Union considers a fair value measurement to have transferred between the levels in the fair value hierarchy on the beginning of the reporting period, the date of the event or change in circumstances that caused the transfer, etc.

In determining fair value measurements, the Credit Union uses valuation techniques including net present value techniques and discounted cash flow models, comparison with quoted or observable prices for similar instruments, Black-Scholes / binomial / polynomial option pricing models, monte carlo simulations, etc. The Credit Union uses assumptions and estimates for risk-free interest rates, market pricing movements, interest rate yield curves, expected volatilities, correlations between inputs, etc.

**Assets and liabilities measured at fair value**

The Credit Union's assets and liabilities measured at fair value in the statement of financial position on a recurring basis have been categorized into the fair value hierarchy as follows:

	<i>Fair Value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>2024 Level 3</i>
<b>Assets</b>				
<b>Financial assets at fair value through profit or loss</b>				
Cash	3,775,221	3,775,221	-	-
Equity investments	53,985	-	-	53,985
	<b>3,829,206</b>	<b>3,775,221</b>	<b>-</b>	<b>53,985</b>
<b>Financial assets at fair value through other comprehensive income</b>				
Portfolio investments	59,215,699	59,215,699	-	-
<b>Liabilities</b>				
<b>Financial liabilities at fair value through other comprehensive income</b>				
Derivative financial instruments	67,342	-	67,342	-
<hr/>				
	<i>Fair Value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>2023 Level 3</i>
<b>Assets</b>				
<b>Financial assets at fair value through profit or loss</b>				
Cash	3,063,692	3,063,692	-	-
Equity investments	56,544	-	-	56,544
	<b>3,120,236</b>	<b>3,063,692</b>	<b>-</b>	<b>56,544</b>
<b>Financial assets at fair value through other comprehensive income</b>				
Portfolio investments	60,756,103	60,756,103	-	-
<b>Liabilities</b>				
<b>Financial liabilities at fair value through profit or loss</b>				
Derivative financial instruments	371,551	-	371,551	-



**Osoyoos Credit Union**  
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19. **Fair value measurements** (Continued from previous page)

**Financial instruments not measured at fair value**

The carrying amount, fair value, and categorization into the fair value hierarchy of all other financial assets and financial liabilities held by the Credit Union and not measured at fair value on the statement of financial position are as follows:

	<i>Carrying amount</i>	<i>Fair Value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
					<b>2024</b>
<b>Assets</b>					
<b>Amortized cost</b>					
Members' loans receivable	134,526,382	132,971,479	-	132,971,479	-
Investments - term deposits	6,136,323	6,182,137	-	6,182,137	-
Other assets	336	336	-	336	-
	<b>140,663,041</b>	<b>139,153,952</b>	<b>-</b>	<b>139,153,952</b>	<b>-</b>
<b>Liabilities</b>					
<b>Amortized cost</b>					
Member deposits	194,992,535	195,748,988	-	195,748,988	-
Other liabilities	652,807	652,807	652,807	-	-
Member shares - liability	265,642	265,642	-	265,642	-
	<b>195,910,984</b>	<b>196,667,437</b>	<b>652,807</b>	<b>196,014,630</b>	<b>-</b>
					<b>2023</b>
<b>Assets</b>					
<b>Amortized cost</b>					
Members' loans receivable	128,735,210	123,259,714	-	123,259,714	-
Investments - term deposits	8,184,784	8,241,478	-	8,241,478	-
Other assets	90,764	90,764	-	90,764	-
	<b>137,010,758</b>	<b>131,591,956</b>	<b>-</b>	<b>131,591,956</b>	<b>-</b>
<b>Liabilities</b>					
<b>Amortized cost</b>					
Member deposits	192,627,598	192,152,376	-	192,152,376	-
Other liabilities	724,784	724,784	724,784	-	-
Member shares - liability	558,632	558,632	-	558,632	-
	<b>193,911,014</b>	<b>193,435,792</b>	<b>724,784</b>	<b>192,711,008</b>	<b>-</b>

**Level 2 and Level 3 fair value measurements for financial instruments not measured at fair value**

Valuation techniques and inputs for Level 2 and Level 3 fair value measurements are as follows:

All Level 2 fair value measurements use a net present value valuation technique and inputs consisting of actual balances, actual rates, market rates (for similar instruments) and payment frequency.

As there is no observable market data for all fair values disclosed and categorized within Level 3 of the hierarchy, the Credit Union has assumed that the fair value of the amounts is comparable to the amortized cost.

**20. Significant event**

On July 23, 2024, the Credit Union announced merger discussions have commenced with Summerland Credit Union and Revelstoke Credit Union. The merger would create a network of six combined branch locations, serving approximately 16,350 members, spanning across communities in the Southern Okanagan and Columbia Shuswap. The credit unions are working with BC Financial Services Authority ("BCFSA") to obtain consent and ensure all regulatory requirements are met. The three boards have already voted in favour of the merger. The next steps are BCFSA approval followed by a member vote as the final stage of approval.