

**INOVA CREDIT
UNION**

**ANNUAL REPORT
FOR 2024**



iNova
CREDIT UNION

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AGENDA

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April 16th, 2024 AGM Minutes

88th iNova Credit Union Virtual Annual General Meeting
April 16, 2024 at 6:00 pm

1. Welcome and Call to Order - At 6:06 pm the meeting was called to order by Mitchell Wells, Chair of the Board of Directors.
2. Quorum – Thomas Redden confirmed there were 22 members in attendance therefore a quorum was established.
3. Moment of Silence – Mitchell Wells asked that a moment of silence be observed in memory of our members who had passed away in 2023.
4. Rules of Order – Roberts Rules of Order are used for all meeting of the Board of Directors
5. Adoption of Agenda – Mitchell Well asked that the agenda for the 88th Annual General Meeting be adopted as presented.

Motion 24-01: It was moved by Jaclyn Doublett, seconded by Kaylon Fraser, that the agenda for the 88th Annual General Meeting be adopted as presented. Carried

6. Approval of the 87th AGM Meeting Minutes - Minutes were reviewed from the 87th Annual General Meeting held April 18, 2023.

Motion 24-02: It was moved by Angela Franklin, seconded by Jayme Melrose, that the minutes of the 87th Annual General Meeting be approved. Carried

7. Election of Directors – Karla MacKeen presented the Nomination Committee report stating that there were three, 3-year director terms expiring and a 2-year term open. There were 4 nominations for the 4 vacancies and the candidates elected by acclamation were Angela Franklin, Mariah-Pelley Smith, Mike Ansari and Dan MacFadgen. Angela, Mariah and Mike are all returning directors and will serve the 3-year terms and we welcome Dan MacFadgen to the board for a 2-year term.

Motion 24-03: It was moved by Angie Fong, seconded by Catlin Veinot, that the Nomination Committee Report be approved. Carried

8. Chair and General Managers Report – Mitchell Wells and Karla MacKeen presented their joint report. Highlights in 2023 included continued asset and deposit growth and a surplus of slightly over \$600,000. The Board has approved a patronage rebate of \$100,000 to be paid back to all members in good standing as of December 31, 2023. The replacement of our core banking system is expected to occur in the fall of 2024. Karla and Mitchell thanked the Board, Management and Staff for their effort and support throughout the year

Motion 24-04: It was moved by Wayne Pace, seconded by Jayme Melrose, to accept the Chair and General Managers Report. Carried

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9. External Auditors Report – Eric O'Connor, Chartered Accountant for Miles T. Sweeney Inc. reviewed the Credit Union's income and expenses, comparing 2022 and 2023. Also reviewed were the statements of net income, comprehensive income and retained earnings, cash flows for the year end, and notes to the financial statements, including a summary of significant accounting policies. Current challenges include membership growth along with loan interest and other income growth. To improve profitability the Credit Union needs to continue to manage operating expenses and grow the loan portfolio with quality loans.

Motion 24-05: It was moved by Erin Hancock, seconded by Jayme Melrose, to accept the External Auditors Report. Carried

10. Audit Committee Report - Mike Ansari, Chair of the Audit Committee presented his report. Mike reviewed the Committee responsibilities and reported they are confident the Credit Union's financial reporting systems and controls are adequate to meet regulatory and statutory requirements. Mike thanked his fellow committee members Justin Sampson, Suzy Hansen and Kyle Blandin for their contributions over the past year.

Motion 24-06: It was moved by Thomas Redden, seconded by Angie Fong, that the Audit Committee Report be accepted. Carried

11. Credit Committee Report – Angela Franklin, Chair of the Credit Committee, presented the Credit Committee. The report included an overview of the committee's responsibilities and stated that the Board was satisfied with the reporting and adherence to policy.

Motion 24-07: It was moved by Jayme Melrose, seconded by Kaylon Fraser, that the Credit Committee Report be accepted. Carried

12. Cooperative Social Responsibility Committee - Erin highlighted some initiatives iNova did over the past year to support our community that went hand in hand with our strategic plan.

Motion 24-08: It was moved by Wayne Pace, seconded by Angela Franklin that the Cooperative Social Responsibility Committee Report be accepted. Carried

13. Appointment of Auditors for 2024 - Mike Ansari, Chair of the Audit Committee recommended the re-appointment of Miles T. Sweeney Ltd as the auditors for 2024.

Motion 24-09: It was moved by Jayme Melrose, seconded by Angela Franklin, to accept the re-appointment of Miles T. Sweeney Ltd. as the external auditors for 2024. Carried

14. No New Business from the floor

15. Adjournment – At 6:29 Mitchell expressed appreciation to the members and guests attending the AGM in person and virtually and asked for a motion to adjourn the meeting.

Motion 24-10: It was moved by Mike Ansari to adjourn the meeting. Carried

Submitted by

Jayme Melrose
Board Secretary

Mitchell Wells
Board Chair

Staff Service Awards

iNova Credit Union is proud to present Hallee Thomson with her 5-year service award as well as Aimee Semel and Chad Fowler with their 15-year service award. On behalf of the board, your coworkers and the membership we thank you for your service and your continuing support

Election of Directors for 2025

We had three, 3-year term positions open on the Board of Directors this year.

A call for nominations was made on April 1st, 2025 and closed on April 16th, 2025 resulting in a slate of 3 candidates. With there being 3 nominations for the 3 vacancies the candidates elected by acclamation were Jayme Melrose, Suzy Hansen and Justin Sampson.

Jayme, Suzy and Justin are all returning directors and will serve 3-year terms.

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Chair and General Manager Report

It is our pleasure to present the Board Chair and General Manager's report for the fiscal year ending December 31, 2024. This year has been one of growth and development for our Credit Union, and we are proud to share our achievements and the future outlook with you.

Financial Performance

This year, our Credit Union demonstrated another year of strong financial performance. Key highlights include a 7.4% increase in total assets to a little over \$56 million, and achieving a net income of \$288 thousand. Our loan portfolio increased by 3%, with a total of \$45 million in outstanding loans. This growth indicates our success in meeting the borrowing needs of our members while maintaining a healthy loan portfolio. Our member deposits grew by 8% to \$48 million demonstrating the trust our members place in us as a safe and reliable place to save their money.

Product and Service Enhancements

To better meet the needs of our members, we introduced new products and services this past year and into 2025 that included an enhanced website and mobile banking app to provide a more modernized digital banking experience. We migrated to a new industry-leading banking platform to continue to provide modern and flexible solutions to support you and the communities we serve and we also unveiled a fresh new logo as part of a rebrand for all Atlantic credit unions

Community Involvement

Our Credit Union remains steadfast in its commitment to supporting the communities we serve. This year, we have extended our support to various organizations through several impactful initiatives. We donated hundreds of knitted mittens to local schools, aiding in the warmth and comfort of students. We supported the Africville Genealogy Society in its efforts to preserve and celebrate the rich heritage of the Africville community. Additionally, we provided resources for the Mulgrave Park Caring and Learning Centre's bagged lunch program, assisting families in need. Our sponsorship of the Bus Stop Theatre has helped fund arts and cultural events that enrich our community. Furthermore, we contributed to alleviating food insecurity by donating to the Parker Street Food Bank.

Future Outlook

Throughout 2024, the Board of Directors has been actively engaged in monthly board meetings, committee meetings, and an annual planning session to refine iNova's strategic focus for the upcoming year.

Key concerns are how we navigate an environment of changing interest rates and economic uncertainty. Added to this are inflationary pressures that create higher costs for our credit union and a higher cost of living for our members – making it a year to underscore the importance of helping members focus on their financial well being.

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We are operating in a sector that is consolidating and changing. Community banking has undergone enormous change in the last several years. Across the country and our region, credit unions increasingly require larger operating scale to invest in the technology, people and processes that are needed to compete.

Consolidation in the system is not a new thing, but in the past decade, it has been escalating exponentially. In 2014, there were 334 credit unions across the country; in 2025 there are 184. In the last three years and in our region alone, there are 10 fewer credit unions. Key factors that are driving merger activity include:

- Increased regulatory burden, quickly evolving technology, and cybersecurity risks are resulting in increases in operating costs and new demands on our staff teams
- New competition and changing member needs are increasingly challenging credit union growth. We have many loyal longstanding members but as a sector we are not attracting enough new members which is critical if we are to sustain value for generations to come. As members and owners, we must be future-focused.

A thriving credit union requires us to be bold and create a future for ourselves that has the potential to be better for all members, employees and our community. By embracing innovation and staying adaptable, we believe we can turn challenges into opportunities. Exploring strategic partnerships and potential merger opportunities will strengthen our position in the market, allowing us to enhance our capabilities, expand our reach, and provide even greater value to our members.

Our commitment to excellence and our dedication to serving our members will drive us forward, ensuring that we continue to thrive and deliver exceptional value. Together, we can navigate this evolving landscape and achieve new heights of success.

Conclusion

I am incredibly fortunate to work with a dedicated group of colleagues without whom I could not function. I want to thank them for their outstanding work ethic and patience in providing excellent member service, as it is not only vital to our success but our reason for existing. In conclusion, I would like to thank your Board of Directors for their outstanding support, and most importantly, our members, for your continued support and trust in our Credit Union.

Sincerely,

Mitchell Wells (Board Chair)

Karla MacKeen (General Manager)

FINANCIAL STATEMENTS

iNova Credit Union Limited
December 31, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Members of iNova Credit Union Limited

Opinion

We have audited the financial statements of iNova Credit Union Limited (the "Credit Union"), which comprise the statement of financial position as at December 31, 2024, and the statements of comprehensive income and retained earnings and cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy information and schedules of administrative and occupancy expenses.

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 the financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

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

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

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

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

(continues)

7 Mellor Avenue, Unit 101 • Dartmouth, Nova Scotia • Canada • B3B 0E8

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Independent Auditor's Report to the Members of iNova Credit Union Limited (*continued*)

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.

Miles J. Sweeney Limited

Dartmouth, Nova Scotia
April 1, 2025

CHARTERED PROFESSIONAL ACCOUNTANTS

7 Mellor Avenue, Unit 101 • Dartmouth, Nova Scotia • Canada • B3B 0E8

T (902) 468-5500 • F (902) 468-5501 • www.msweeney.com

iNova Credit Union Limited
STATEMENT OF FINANCIAL POSITION
 December 31

2024 2023

Assets

Cash resources (Note 6)	\$ 8,472,924	\$ 6,059,861
Accrued receivables (Note 8)	24,606	66,243
Income taxes receivable (Note 13)	25,509	-
Prepaid expenses (Note 19)	609,001	405,491
Members' loans (Note 7)	45,037,118	43,736,531
Long-term investments (Note 9)	1,223,928	1,204,366
Capital assets (Note 10)	287,443	251,772
Right-of-use asset - building (Note 18)	547,269	622,754
	<u>\$ 56,227,798</u>	<u>\$ 52,347,018</u>

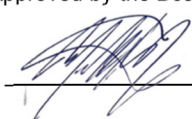
Liabilities

Payables and accruals	\$ 122,551	\$ 107,728
Patronage rebate payable	-	100,000
Members' deposits (Note 11)	48,404,621	44,826,495
Deposit interest payable	449,544	269,286
Income taxes payable (Note 13)	-	34,259
Deferred income taxes (Note 13)	9,645	9,996
Lease liability (Note 18)	605,754	677,477
	<u>49,592,115</u>	<u>46,025,241</u>

Members' equity

Members' shares (Note 12)	183,629	158,034
Contributed surplus	35,752	35,752
Retained earnings	6,416,302	6,127,991
	<u>6,635,683</u>	<u>6,321,777</u>
	<u>\$ 56,227,798</u>	<u>\$ 52,347,018</u>

Approved by the Board



Director



Director

(See accompanying notes to the financial statements)

iNova Credit Union Limited

STATEMENTS OF COMPREHENSIVE INCOME AND RETAINED EARNINGS

Year ended December 31

	2024	% of Income	2023	% of Income
Income				
Loan interest	\$ 2,420,855	78.6	\$ 2,026,163	70.9
Investment income	<u>249,749</u>	<u>8.1</u>	<u>354,586</u>	<u>12.4</u>
	<u>2,670,604</u>	<u>86.7</u>	<u>2,380,749</u>	<u>83.3</u>
Interest expenses				
Distributions to members:				
Interest on deposits	<u>866,914</u>	<u>28.1</u>	<u>543,221</u>	<u>19.0</u>
Financial margin	<u>1,803,690</u>	<u>58.6</u>	<u>1,837,528</u>	<u>64.3</u>
Other income				
Discretionary rebate income	811	-	41,262	1.4
Other income	<u>409,482</u>	<u>13.3</u>	<u>437,580</u>	<u>15.3</u>
	<u>410,293</u>	<u>13.3</u>	<u>478,842</u>	<u>16.7</u>
Income before operating expenses	<u>2,213,983</u>	<u>71.9</u>	<u>2,316,370</u>	<u>81.0</u>
Operating expenses				
Administrative (see schedule)	404,421	13.1	413,255	14.5
Amortization of capital assets	121,562	3.9	111,248	3.9
Central service charges	133,951	4.3	131,941	4.6
Occupancy (see schedule)	93,963	3.1	92,797	3.3
Salaries, benefits, contracted services	986,788	32.0	796,469	27.9
Deposit insurance	38,080	1.2	37,392	1.3
Loan impairment losses (recoveries)	<u>109,279</u>	<u>3.5</u>	<u>47,876</u>	<u>1.7</u>
Total operating expenses	<u>1,888,044</u>	<u>61.1</u>	<u>1,630,978</u>	<u>57.2</u>
Rebate to members	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>3.2</u>
Income before provision for income taxes	<u>325,939</u>	<u>10.8</u>	<u>585,392</u>	<u>20.6</u>
Provision for income taxes (Note 13)	<u>37,628</u>	<u>1.2</u>	<u>81,074</u>	<u>2.9</u>
Net income and comprehensive income	<u>288,311</u>	<u>9.6</u>	<u>504,318</u>	<u>17.7</u>
Retained earnings, beginning	6,127,991		5,623,673	
Net income and comprehensive income	<u>288,311</u>		<u>504,318</u>	
Retained earnings, ending	<u>\$ 6,416,302</u>		<u>\$ 6,127,991</u>	

(See accompanying notes to the financial statements)

iNova Credit Union Limited

STATEMENT OF CASH FLOWS

Year ended December 31

	2024	2023
Cash generated from (used in) operating activities		
Loan interest received	\$ 2,443,399	\$ 1,982,358
Investment income received	289,358	362,705
Other income received	409,482	437,580
Rebates received	811	41,262
Increase (decrease) in members' deposits	3,578,126	(3,393,995)
Bad loans recovered	2,709	39,664
Interest paid on members' deposits	(686,656)	(380,126)
Increase in members' loans	(1,433,093)	(5,943,525)
Patronage rebate paid	(100,000)	(150,000)
Payments to suppliers	(859,099)	(953,609)
Payments to employees	(986,789)	(796,464)
Income taxes paid	(97,747)	(96,406)
	<u>2,560,501</u>	<u>(8,850,556)</u>
Cash used in investing activities		
Redemption (purchase) of investments	(19,562)	27,550
Purchase of capital assets	(81,748)	(34,122)
	<u>(101,310)</u>	<u>(6,572)</u>
Cash used in financing activities		
Principal payments on lease liability	(71,723)	(69,285)
Proceeds from issue of shares (net of redemptions)	25,595	94,473
	<u>(46,128)</u>	<u>25,188</u>
Net increase (decrease) in cash flows	2,413,063	(8,831,940)
Cash and cash equivalents, beginning of year	6,059,861	14,891,801
Cash and cash equivalents, end of year (Note 6)	\$ 8,472,924	\$ 6,059,861
Supplemental cash flow information		
Interest received from investments	\$ 289,358	362,705

(See accompanying notes to the financial statements)

iNOVA CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2024

1. REPORTING ENTITY

iNova Credit Union Limited (the "Credit Union") is incorporated under the Nova Scotia Companies Act. The operation of the Credit Union is subject to the Nova Scotia Credit Union Act. Products and services offered to its members include loans, mortgages, chequing and savings accounts, MasterCards, RRSP's, term deposits, online and telephone banking and financial planning. The Credit Union is located at 6150 Almon Street, Halifax, Nova Scotia.

On March 31, 2025, the Credit Union's Board of Directors approved and authorized for issue the financial statements for the year ended December 31, 2024.

2. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform with the current year's presentation.

3. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Basis of measurement

These financial statements were prepared under the historical cost principle using a going concern basis, with the exception of available-for-sale financial assets which have been measured at fair value.

Functional currency

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

Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Credit Union's accounting policies. Changes in assumptions may have a significant impact on the financial statement in the year the assumptions changed.

Significant estimates made in the preparation of these financial statements include, but are not limited to the following areas, with further information contained in the applicable accounting policy note.

Measurement of the expected credit loss (ECL) allowance

The Credit Union reviews its loan portfolio to assess the ECL allowance for loans at least on a quarterly basis. The measurement of the ECL allowance for financial assets measured at amortized cost and fair value through other comprehensive income (FVTOCI) is an area that requires the use of models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of members defaulting and resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 4.

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL; and
- Establishing groups of similar financial assets for the purpose of measuring ECL.

The judgments, inputs, methodology and assumptions used for estimating the ECL allowance are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

iNOVA CREDIT UNION LIMITED
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3. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (Continued)

Fair value of available-for-sale securities

The fair values of available-for-sale securities where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In each instance, management has reviewed the attributes of its investments and determined that fair value was liquidation value for each investment as there is no ability to otherwise sell the investments. Management also determined that liquidation value approximated historical cost.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

Cash and cash equivalents

Cash and cash equivalents include cash on hand, and short-term highly liquid securities which are readily convertible into known amounts of cash. The Credit Union considers securities with original maturities of three months or less as meeting the definition of convertible to known amounts of cash.

Members' loans and foreclosed assets

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

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

Real estate held for resale is carried at the lower of the amortized cost of the loan or mortgages foreclosed, adjusted for revenues received and costs incurred subsequent to foreclosure and the estimated net proceeds from the sale of assets.

Allowance for impaired loans

The Credit Union recognizes a loss allowance for the expected credit losses associated with its members' loans. Expected credit losses are measured to reflect the probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

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 members' loans 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 assesses at each balance sheet date whether there is objective evidence that a member's loan or group of members' loans is impaired. A member's loan or group of members' loans is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the member's loan (a "loss event") and that loss event (events) has an impact on the estimated future cash flows of the members' loan or group of members' loans that can be reliably estimated.

The criteria the Credit Union uses to determine whether there is objective evidence of an impairment loss includes:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the member;
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the member's competitive position; and
- Deterioration in the fair value of collateral.

iNOVA CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2024

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

For members' loans 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 deducted from the gross carrying amount of the members' loans in the statement of financial position.

Members' loans are written off when the Credit Union has no reasonable expectation of recovering all or any portion thereof.

Revenue recognition

Interest on loans and advances is recognized on an accrual basis using the effective interest rate method. Revenue from the provision of services is recognized when earned and the ability to collect is reasonably assured.

Members' deposits

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

Financial assets

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 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 and loss (FVTPL) are expensed in profit and loss when incurred.

On initial recognition, financial assets are classified and subsequently measured at amortized cost, FVTOCI or FVTPL. The Credit Union determines the classification of its financial assets, including any derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

Debt instruments are classified as follows:

- Amortized cost - assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit and loss.
- FVTOCI - 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 FVTOCI. 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 asset are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit and loss.
- Mandatory FVTPL - assets that do not meet the criteria to be measured at amortized cost, or FVTOCI, are measured at FVTPL. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss.
- Designated FVTPL - on initial recognition, the Credit Union may irrevocably designate a financial asset to be measured at FVTPL in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring the assets or liabilities or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss.

The Credit Union measures equity instruments at FVTPL, except where the Credit Union has irrevocably elected on initial recognition to present in other comprehensive income the fair value gains and losses of an equity instrument that is neither held for trading purposes nor contingent consideration acquired in a business combination. In such cases, the cumulative gains and losses recognized in other comprehensive income are not reclassified to profit or loss on derecognition of the investment.

iNOVA CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2024

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

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 in which the business is managed and information is provided to management. Information considered in this assessment includes stated policies and objectives and how performance of the portfolio is evaluated.

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 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.

Derecognition of financial assets

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

Financial liabilities

The Credit Union recognizes financial liabilities when it becomes party to the contractual provisions of the instrument. At initial recognition, the Credit Union measures all financial liabilities at 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.

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method.

Interest, gains and losses related to a financial liability are recognized in profit and loss.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

The Credit Union has classified its financial instruments as follows:

FINANCIAL ASSET/LIABILITY	CLASSIFICATION	SUBSEQUENT MEASUREMENT
Cash resources	Amortized cost	Amortized cost
Deposits with Atlantic Central	Amortized cost	Amortized cost
Long term investments	FVTOCI	FVTOCI
Members' loans (inc. accrued interest) and rebates receivable	Amortized cost	Amortized cost
Members' deposits (inc. accrued interest), borrowings and payables	Amortized cost	Amortized cost

iNOVA CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2024

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Capital assets

Capital assets are recorded at cost. Amortization is based on their estimated useful life using the following rates and terms:

Right-of-use assets	straight-line	term of lease plus two renewal terms
Leasehold improvements	straight-line	term of lease plus two renewal terms
Office equipment	declining balance	20%
Computer equipment	declining balance	33%
Vaults	declining balance	10%
Sign	declining balance	20%

Residual values and useful lives are reviewed at the end of each reporting period and adjusted if appropriate.

Leases

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.

At the commencement date of a lease, the Credit Union recognizes a right-of-use asset and a lease liability in the Statement of Financial Position. The lease liability is initially measured at the present value of lease payments that are not paid at that date.

The right-of-use asset is measured at cost. The cost of a right-of-use asset is comprised of:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee; and
- an estimate of any dismantling and site restoration costs to be incurred by the lessee.

After the commencement date, the lease liability is measured by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made;
- remeasuring the carrying amount to reflect any reassessment or lease modifications.

The right-of-use asset is subsequently measured at cost:

- less any accumulated depreciation and any accumulated impairment losses; and
- adjusted for any remeasurement of the lease liability.

Income taxes

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

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

Deferred tax assets and liabilities are recognized where the carrying value of an asset or liability differs from its tax base. Recognition of deferred taxes 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.

iNOVA CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Trade payables are classified as current liabilities if payment is due within one year or less. Trade payables are recognized at historical cost which is a reasonable estimate of fair value.

Cash flow statement

The cash flow statement is prepared using the direct method.

Shares

Savings shares, which are included in members' deposits, are in practice withdrawable on demand. Common shares and surplus shares, which are classified as equity, represent a residual interest in the equity of the Credit Union. They are not covered by deposit insurance. Common shares are redeemable upon request of the member and approval of the directors.

Dividends to members

Provision for dividends on savings shares represents the amount recommended by the Board of Directors. The recommended dividend is included in the statement of financial position as an accrued liability under payables and accruals. In the statement of comprehensive income, these dividends are deducted as an expense under interest and loan related expenses in determining net income for the year.

Foreign currency translation

Assets and liabilities which are denominated in foreign currencies (US dollars) are translated at the exchange rate prevailing at the year end date. Revenues and expenses denominated in foreign currencies are translated at the exchange rate prevailing on the transaction date. Exchange differences are charged or credited to income.

Employee future benefit plans

The Credit Union uses defined contribution accounting for its Canadian Credit Union Employees Pension Plan.

Government grants

Unconditional government grants are recognized in profit or loss as other income when the grant becomes receivable. Other government grants are initially recognized as deferred income at fair value if there is reasonable assurance that they will be received and the Credit Union will comply with the conditions associated with the grant; they are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset.

5. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

iNOVA CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2024

5. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

The following are the significant risks that the Credit Union is exposed to through its financial instruments:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Providing credit facilities to qualified members is one of the Credit Union's primary sources of earnings and is the area where the Credit Union is exposed to the most significant risk. Approval of these facilities is based on the member's ability to repay principal and interest over the term of the facility which is determined by following Board approved policies and procedures, which include assessing the member's credit history, character, collateral and debt servicing capacity.

In addition, the Credit Union provides to its employees comprehensive training to ensure compliance with Credit Union lending policies and procedures. As well, formal policies governing approval of credit facilities including acceptable risk assessment and security requirements are in place.

Overdue loan accounts, or lending delinquency, is closely monitored and reported to senior management on a timely and frequent basis to ensure that all allowances for potential loan losses are adequately provided for and written off when collection efforts have been exhausted. Credit risk is mitigated primarily by the nature and quality of the underlying security as prescribed by the Credit Union's lending agreements.

The Credit Union's loan portfolio is focused in two main areas; consumer loans and mortgages, and commercial loans, the latter to small and mid-size companies. Commercial loans to larger companies are available through a syndication process with other Credit Unions in order to appropriately mitigate the Credit Union's credit risk. Consumer mortgages are made available on a conventional basis up to eighty percent of the appraised value of a residential property with all mortgages in excess of that amount being insured through a third party, for example Canada Mortgage and Housing Corporation or Genworth Financial Corporation. Other credit facilities provided include personal overdrafts, and MasterCard accounts that have no recourse to the Credit Union.

The Credit Union uses the expected loss model to record an allowance against members' loans. The allowance is broken into three stages. Stage 1 contains all loans that are not delinquent and do not have any known additional risk. Stage 2 contains all loans delinquent between 31 and 90 days, and any loan that has been assessed to have additional risk. Stage 3 contains all loans delinquent over 90 days, bankruptcy, and foreclosure. Each stage is broken down into pools of members' loans that have similar risk characteristics. The probability of default, risk adjustment and loss given default are used to determine the expected credit loss for each pool of members' loans.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Credit Union uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Credit Union's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

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

	2024	2023
Cash resources	\$ 8,472,924	\$ 6,059,861
Members' loans	<u>45,037,118</u>	<u>43,736,531</u>
	<u>\$ 53,510,042</u>	<u>\$ 49,796,392</u>

iNOVA CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2024

5. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Credit Union is exposed to this risk through traditional banking activities, such as deposit taking and lending. The Credit Union's goal is to manage the interest rate risk of the statement of financial position to a target level. The Credit Union continually monitors the effectiveness of its interest rate mitigation activities.

Interest rate sensitivity

The Credit Union's major source of income is the financial margin between the income earned on investments and loans to members, and the interest paid on their deposits. The objective of "interest rate sensitivity" management is to keep interest sensitive assets and interest sensitive liabilities in balance by amount and term to maturity, thus monitoring fluctuations of income during periods of changing interest rates.

The following schedule shows the Credit Union's sensitivity to interest rate changes. Amounts with floating rates due or payable on demand are classified as maturing in the first three months, regardless of maturity. A significant amount of loans can be settled before maturity without penalty, on mortgages and deposits a penalty will be levied. No adjustments have been made for repayments that may occur prior to maturity. Amounts that are not interest sensitive have been grouped together, regardless of maturity.

Expected Repricing or Maturity Date	Weighted Average Interest Rate		Assets (000's)	Liabilities (000's)	Net Asset Liability Mismatch (000's)
	Assets	Liabilities			
0 to 3 months	5.36	0.84	\$ 17,105	\$ 22,935	\$ (5,830)
4 to 6 months	4.80	4.72	4,269	1,498	2,771
7 to 12 months	4.11	4.35	7,436	4,846	2,590
1 to 2 years	4.34	5.21	10,780	4,503	6,277
2 to 3 years	4.29	4.59	6,963	1,589	5,374
3 to 4 years	5.68	4.51	5,111	1,080	4,031
4 to 5 years	5.47	4.78	2,910	1,349	1,561
Over 5 years	7.21	n/a	5	-	5
Not interest sensitive	n/a	n/a	1,649	18,428	(16,779)
			<u>\$ 56,228</u>	<u>\$ 56,228</u>	<u>\$ -</u>

Interest sensitive assets and liabilities cannot normally be perfectly matched by amount and term to maturity. One of the roles of a credit union is to intermediate between the expectations of borrowers and depositors. As a matter of policy, the Credit Union will limit the short term exposure to a maximum of a negative .2% of the Credit Union's assets, based on a 1% fluctuation in interest rates.

Foreign exchange risk

The Credit Union's foreign exchange risk is related to United States dollar deposits and cash on hand denominated in United States dollars. At year end, the Credit Union's holdings in foreign currency were 0.07% (2023 - 0.31%) of the total members' deposits portfolio.

iNOVA CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2024

5. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

The Credit Union limits its exposure to foreign exchange risk by maintaining only minimal levels of US dollar deposits and cash on hand.

There have been no significant changes from the previous year in the exposure to foreign exchange risk or procedures used to limit the risk.

Liquidity risk

Liquidity risk is the risk that the Credit Union will encounter difficulty in meeting obligations associated with financial liabilities as they come due. Liquidity risk is inherent in any financial institution and could result from entity level circumstances and/or market events.

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.

The Credit Union is required to maintain 10% of members deposits in liquid investments of which 90% must be held with Atlantic Central Credit Union. The Credit Union was in compliance with this requirement at December 31, 2024.

The Credit Union manages liquidity risk by:

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

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

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

	2024	2023
Liquid assets	\$ 9,025,206	\$ 6,674,841
Required liquidity	<u>4,840,462</u>	<u>4,482,650</u>
Excess liquidity	<u>\$ 4,184,744</u>	<u>\$ 2,192,191</u>
Liquid assets comprise:		
Cash held at Atlantic Central	\$ 372,862	\$ (169,108)
Liquidity and short-term deposits held at Atlantic Central	8,100,062	6,228,969
Shares held at Atlantic Central	<u>552,282</u>	<u>614,980</u>
	<u>\$ 9,025,206</u>	<u>\$ 6,674,841</u>

iNOVA CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2024

6. CASH RESOURCES

	2024	2023
Cash on hand and in current account	\$ 372,862	\$ (169,108)
Atlantic Central Deposits (Market value = cost)	<u>8,100,062</u>	<u>6,228,969</u>
	<u>\$ 8,472,924</u>	<u>\$ 6,059,861</u>

7. MEMBERS' LOANS

Loans by purpose

	2024	2023
Consumer loans	\$ 12,754,201	\$ 11,637,989
Consumer lines of credit	<u>1,272,330</u>	<u>1,317,381</u>
Consumer mortgages	<u>16,923,148</u>	<u>16,198,415</u>
Commercial loans	<u>9,296,425</u>	<u>9,634,590</u>
Commercial lines of credit	<u>2,064,078</u>	<u>2,183,353</u>
Commercial and participation mortgages	<u>1,511,015</u>	<u>1,607,155</u>
Commercial loans - participation	<u>1,364,494</u>	<u>1,230,800</u>
Overdrafts	<u>57,882</u>	<u>29,417</u>
	<u>45,243,573</u>	<u>43,839,100</u>
Accrued interest	<u>88,501</u>	<u>111,046</u>
	<u>45,332,074</u>	<u>43,950,146</u>
Less : Allowance for impaired loans	<u>294,956</u>	<u>213,615</u>
Net loans	\$ <u>45,037,118</u>	\$ <u>43,736,531</u>

Members' loans can have either variable or fixed rates of interest and they mature within 1 month to 5 years. The rates offered to members are determined by the type of security offered, the member's credit worthiness, competition from other lenders and the current prime rate.

Commercial loans that are not subject to a government guarantee are secured by collateral ranging from specific assets to a general security agreement or personal guarantee. Consumer loans also are secured by collateral such as vehicles, investments and property.

Syndicated loans consist of commercial mortgages maturing within five years and secured by commercial property. The Credit Union receives monthly amounts from the loan administrators which represent blended payments of principal and interest equal to its percentage interests in the loans, less an administration fee.

	2024	2023
Maturity analysis:		
Scheduled for repayment:		
Overdrafts and line of credit facilities	\$ 8,738,566	\$ 7,899,799
Within one year	<u>11,378,301</u>	<u>7,333,188</u>
One to three years	<u>17,101,004</u>	<u>18,641,018</u>
Over three years	<u>8,025,702</u>	<u>9,965,095</u>
	<u>\$ 45,243,573</u>	<u>\$ 43,839,100</u>

Allowance for impaired loans

Assessment of credit risk

Members' loans are assessed at each reporting date for a significant increase in credit risk since initial recognition.

iNOVA CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2024

7. MEMBERS' LOANS (Continued)

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 members' loans to be in default when contractual payments are more than 90 days past due or other objective evidence of impairment exists.

Changes in credit risk are assessed on the basis of the risk that a default will occur over the contractual lifetime of the member's loan rather than based on changes in the amount of expected credit losses or other factors. The Credit Union takes into account all reasonable and supportable information, including forward-looking information, available without undue cost or effort in making this assessment. 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.

Members' loans with an acceptable credit risk consistent with that upon origination of the loan are considered to be Stage 1. The credit risk of a loan is deemed to have significantly increased since initial recognition when contractual payments have exceeded 30 days past due, or other information becomes available to management (e.g., through the course of regular credit reviews, communication with the borrower or forecasting processes which consider macroeconomic conditions expected to have a future impact on borrowers). The increase in credit risk designates the loan to be Stage 2.

The Credit Union identifies credit-impaired members' loans through regular review of past due balances and credit assessment of its customers. Loans greater than 90 days past due are considered credit impaired. Credit impaired loans are classified as Stage 3.

Measurement of expected credit losses

The Credit Union measures expected credit losses of members' loans receivable on a group basis. These assets are grouped on the basis of their shared credit risk characteristics such as loan type (residential mortgages, commercial mortgages, other secured loans or non-secured loans). Otherwise, expected credit losses are measured on an individual basis.

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 effects 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 loan.

Significant judgments, estimates and assumptions are required when calculating the expected credit losses of members' loans. 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 forward-looking information may have on the historical data used to measure expected credit losses. The Credit Union has identified forecasted unemployment rates to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

Write-offs

Members' loans 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 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.

The following tables set out information about the members' loans classified based on the credit quality of financial assets assessed for impairment under IFRS 9 for 2023 and 2024. The gross carrying amount of members' loans represent the maximum exposure to credit risk.

iNOVA CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2024

7. MEMBERS' LOANS (Continued)

	Stage 1	Stage 2	Stage 3	Total
Balance at December 31, 2024				
Gross carrying amount of members' loans	\$ 43,647,200	\$ 694,656	\$ 901,717	\$ 45,243,573
Loss allowance	\$ 64,785	\$ 44,136	\$ 186,035	\$ 294,956
Balance at December 31, 2023				
Gross carrying amount of members' loans	\$ 42,121,720	\$ 1,393,472	\$ 323,908	\$ 43,839,100
Loss allowance	\$ 64,887	\$ 35,063	\$ 113,665	\$ 213,615

The following tables explain the changes in the loss allowance between the beginning and end of the year.

	Stage 1	Stage 2	Stage 3	Total
Balance at December 31, 2024				
Allowance beginning	\$ 64,887	\$ 35,063	\$ 113,665	\$ 213,615
Recoveries	1,225	1,485	-	2,710
Write-offs	-	-	(30,648)	(30,648)
Net remeasurement of loss allowance	(1,327)	7,588	103,018	109,279
Allowance ending	\$ 64,785	\$ 44,136	\$ 186,035	\$ 294,956
Balance at December 31, 2023				
Allowance beginning	\$ 60,233	\$ 35,857	\$ 77,995	\$ 174,085
Recoveries	3,767	-	35,897	39,664
Write-offs	(951)	-	(47,059)	(48,010)
Net remeasurement of loss allowance	1,838	(794)	46,832	47,876
Allowance ending	\$ 64,887	\$ 35,063	\$ 113,665	\$ 213,615

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

	2024	2023
31 to 60 days	\$ 18,726	\$ 102,391
61 to 90 days	319,893	15,276
91 to 180 days	262,321	115,519
Over 180 days	162,399	61,812
	\$ 763,339	\$ 294,998

Canada Emergency Business Account (CEBA) loans

The Credit Union is participating in the CEBA loan program announced by the government of Canada. As of December 31, 2024, the Credit Union was administering, on behalf of Export Development Canada, commercial loans totaling \$180,025 (2023 - \$1,701,067). As these loans do not belong to the Credit Union, they are not included in these financial statements.

iNOVA CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024

8. ACCRUED RECEIVABLES

	2024	2023
Accrued receivables	\$ 13,114	\$ 15,142
Interest receivable	<u>11,492</u>	<u>51,101</u>
	<u>\$ 24,606</u>	<u>\$ 66,243</u>

9. LONG-TERM INVESTMENTS

	2024	2023
Shares in unlisted entities (at cost):		
Atlantic Central common shares	\$ 451,282	\$ 513,980
Atlantic Central provincial shares	<u>101,000</u>	<u>101,000</u>
Central 1 - class B shares	<u>100</u>	<u>100</u>
League Savings and Mortgage Limited	<u>577,216</u>	<u>577,216</u>
League Data Limited - class B preference shares	<u>94,230</u>	<u>11,970</u>
Nova Scotia Co-operative Council	<u>100</u>	<u>100</u>
	<u>\$ 1,223,928</u>	<u>\$ 1,204,366</u>

The Credit Union's long-term equity investments are not held for trading or contingent consideration from a business combination. Long-term equity investments are irrevocably measured at FVTOCI. The investments do not have a quoted market price in an active market. In each instance, management has reviewed the attributes of its investments and determined that fair value was liquidation value for each investment as there is no ability to otherwise sell the investments. Management also determined that liquidation value approximates historical cost.

10. CAPITAL ASSETS

	Leasehold Improvements	Computer Equipment	Office Equipment	Sign	Vault	Total
Cost						
Balance at January 1, 2023	\$ 404,423	\$ 31,873	\$ 198,635	\$ 26,450	\$ 48,372	\$ 709,753
Additions	15,665	11,961	6,496	-	-	34,122
Disposals	-	-	(15,706)	(26,450)	-	(42,156)
Balance on December 31, 2023	<u>420,088</u>	<u>43,834</u>	<u>189,425</u>	<u>-</u>	<u>48,372</u>	<u>701,719</u>
Additions	-	15,255	65,274	-	1,219	81,748
Disposals	-	-	-	-	-	-
Balance on December 31, 2024	<u>\$ 420,088</u>	<u>\$ 59,089</u>	<u>\$ 254,699</u>	<u>\$ -</u>	<u>\$ 49,591</u>	<u>\$ 783,467</u>
Accumulated depreciation						
Balance at January 1, 2023	\$ 211,068	\$ 13,256	\$ 173,217	\$ 26,450	\$ 32,350	\$ 456,341
Depreciation expense	21,532	8,248	4,380	-	1,602	35,762
Disposals	-	-	(15,706)	(26,450)	-	(42,156)
Balance on December 31, 2023	<u>232,600</u>	<u>21,504</u>	<u>161,891</u>	<u>-</u>	<u>33,952</u>	<u>449,947</u>
Depreciation expense	22,591	9,949	12,034	-	1,503	46,077
Disposals	-	-	-	-	-	-
Balance on December 31, 2024	<u>\$ 255,191</u>	<u>\$ 31,453</u>	<u>\$ 173,925</u>	<u>\$ -</u>	<u>\$ 35,455</u>	<u>\$ 496,024</u>
Net book value						
December 31, 2023	<u>\$ 187,488</u>	<u>\$ 22,330</u>	<u>\$ 27,534</u>	<u>\$ -</u>	<u>\$ 14,420</u>	<u>\$ 251,772</u>
December 31, 2024	<u>\$ 164,897</u>	<u>\$ 27,636</u>	<u>\$ 80,774</u>	<u>\$ -</u>	<u>\$ 14,136</u>	<u>\$ 287,443</u>

iNOVA CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2024

11. MEMBERS' DEPOSITS

	2024	2023
Chequing	\$ 20,830,563	\$ 20,024,522
Demand, no penalty on withdrawal	8,768,908	10,178,378
RRSP and RRIF	5,476,997	5,273,417
Term deposits	<u>13,328,153</u>	<u>9,350,178</u>
	<u>\$ 48,404,621</u>	<u>\$ 44,826,495</u>
Maturity analysis:		
At call	\$ 30,424,520	\$ 31,183,703
Within one year	9,460,414	8,800,130
One to three years	6,091,284	2,887,237
Over three years	<u>2,428,403</u>	<u>1,955,875</u>
	<u>\$ 48,404,621</u>	<u>\$ 44,826,945</u>

12. MEMBERS' SHARES

Each member must hold 1 common share with a par value of \$5. Common shares and surplus shares may be withdrawn on demand or withdrawal from membership, subject to the Credit Union meeting capital adequacy requirements and the discretion of the Board of Directors.

Authorized:

An unlimited number of common shares with par value of \$5 each.

An unlimited number of surplus shares with par value of \$1 each.

	2024	2023
Issued:		
Common shares		
Balance, beginning of year (1,862 shares)	\$ 9,310	\$ 9,520
Add: shares issued during year (116 shares)	<u>580</u>	<u>720</u>
	9,890	10,240
Less: shares redeemed during year (198 shares)	<u>(990)</u>	<u>(930)</u>
Balance, end of year (1,780 shares)	<u>8,900</u>	<u>9,310</u>
Surplus shares		
Balance, beginning of year (148,724 shares)	148,724	54,041
Add: distributions to members (92,654 shares)	92,654	145,109
Less: shares redeemed during year (66,649 shares)	<u>(66,649)</u>	<u>(50,426)</u>
Balance, end of year (174,729 shares)	<u>174,729</u>	<u>148,724</u>
Total equity shares	<u>\$ 183,629</u>	<u>\$ 158,034</u>

iNOVA CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2024

13. INCOME TAX

The components of tax expense (benefit) were as follows:

	2024	2023
Current tax expense	\$ 37,979	\$ 78,922
Deferred tax expense		
Originating and reversal of deductible temporary differences	<u>(351)</u>	<u>2,152</u>
Total income tax expense	<u>\$ 37,628</u>	<u>\$ 81,074</u>

The provision for income taxes differs from the result which would be obtained by applying the combined Canadian Federal and Provincial statutory income tax rates to income. This difference results from the following:

	2024	2023
Income before income taxes	\$ 325,939	\$ 585,392
Combined Canadian basic federal and provincial income tax rate	<u>11.50 %</u>	<u>11.50 %</u>
Expected income tax	37,483	67,320
Effect on income tax of:		
Permanent differences	5	198
Other	<u>140</u>	<u>13,556</u>
Total income tax expense	<u>\$ 37,628</u>	<u>\$ 81,074</u>

14. RELATED PARTY TRANSACTIONS

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

	2024	2023
Compensation of key management personnel		
Direct compensation	\$ 205,632	\$ 190,883
Contributions to defined contribution plan	<u>16,681</u>	<u>15,589</u>
Total salaries and benefits	<u>\$ 222,313</u>	<u>\$ 206,472</u>
Loans and deposits to related parties		
Loans, mortgages and lines of credit advanced	\$ 1,659,881	\$ 2,238,821
Deposits	<u>1,254,281</u>	<u>1,300,928</u>

The Credit Union enters transactions, arrangements and agreements involving directors, senior management and staff in the ordinary course of business. Terms and conditions on the transactions, arrangements and agreements are the same terms and conditions which apply to Members. None of the loans outstanding by key management personnel or the Board of Directors are impaired.

Group RRSP plan

The Credit Union sponsors a group RRSP plan. The plan provides the Credit Union with flexibility in that the percentage contributed to the employees' plan can be modified. The Credit Union contributed 9% of base salaries to the employees' plan. Staff contributed 6% of their base salary to the plan. Current service costs totalled \$59,194 (2023 - \$48,549) and were included in salaries, benefits and contracted services expense on the statement of income.

iNOVA CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2024

15. FAIR VALUES OF FINANCIAL INSTRUMENTS

The estimated fair values of the Credit Union's financial instruments are set out below. Fair value represents the amount at which a financial investment could be exchanged in an orderly transaction between market participants at the measurement date.

Fair value amounts disclosed represent point in time estimates that may change in subsequent reporting periods due to market conditions or other factors. Where there is no quoted market value, fair value is determined using a variety of valuation techniques and assumptions. The Credit Union has estimated fair values taking into account changes in interest rates and credit risk that have occurred since the assets and liabilities were acquired. These calculations represent management's best estimates based on a range of methods and assumptions; since they involve uncertainties, the fair values may not be realized in an actual sale or immediate settlement of the instruments. Interest rate changes are the main cause of changes in the fair value of the Credit Union's financial instruments. The carrying value is a reasonable approximation of fair value for the Credit Union's cash resources, demand deposits, certain other assets and certain other liabilities, due to their short-term nature.

The fair value of financial instruments are as follows:

Loans:

In determining the fair value of loans, the Credit Union incorporates the following assumptions:

- For fixed rate performing loans, fair values are determined by discounting remaining contractual cash flows at current market interest rates offered for loans with similar terms.
- For floating rate performing loans, changes in interest rates have minimal impact on the fair value since loans reprice to market. On that basis, fair value is assumed to equal carrying value.
- The total value of loans determined using the above assumptions is reduced by the allowance for impaired loans to determine the fair value of the Credit Union's loan portfolio.

Deposits:

In determining the fair value of deposits, the Credit Union incorporates the following assumptions:

- For fixed rate and fixed maturity deposits, the Credit Union discounts the remaining contractual cash flows, at current market interest rates offered for deposits with similar terms and risks.
- For floating rate deposits, changes in interest rates have minimal impact on the fair value since deposits reprice to market. On that basis fair value is assumed to equal carrying value.

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

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

A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

iNOVA CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2024

15. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Fair value of investments:

	2024	2023
Fair Value Hierarchy		
Level 1	\$ -	\$ -
Level 2	1,223,928	1,204,366
Level 3	-	-
	<u>\$ 1,223,928</u>	<u>\$ 1,204,366</u>

Fair value of loans and deposits:

	2024		2023	
	<u>Book Value</u>	<u>Estimated Fair Value</u>	<u>Book Value</u>	<u>Estimated Fair Value</u>
Members' loans	\$ 45,037,118	\$ 45,091,691	\$ 43,736,531	\$ 43,717,337
Members' deposits	\$ 48,404,621	\$ 48,433,333	\$ 44,826,495	\$ 44,658,226

The differences between the book values and fair values of the Credit Union's loans, deposits and other financial instruments are due primarily to changes in interest rates.

16. CREDIT FACILITY

The Credit Union has an approved operating line of credit with Atlantic Central with a limit of \$1,310,000 to cover shortfalls in cash resources. The line of credit is secured by an assignment of book debts, bears interest at prime and is to be reviewed on an annual basis. At December 31, 2024 the line of credit balance was \$nil and bears interest at 5.45% per annum.

17. CAPITAL REQUIREMENTS

The Credit Union's plan to manage equity is designed to establish a strong base for future growth, to pay dividends on the equity shares and to provide a cushion in the event of market instability. Members' equity consists of equity shares and retained earnings. In accordance with the Credit Union Act, iNova Credit Union shall establish and maintain equity at a level equal to 5% of its assets. At December 31, 2024, equity was 11.80% (2023 - 12.08%) of its assets. Members' equity ratios are monitored regularly and reported to the Board monthly. The Credit Union's equity ratios have been in compliance with the regulatory requirements throughout the year.

18. LEASES

The Credit Union has a lease agreement with Westwood Development Limited for building space.

Terms of lease:

- Original lease term: September 1, 2012 - August 31, 2022
- Current lease term: September 1, 2022 - August 31, 2025
- Renewal: Option to renew for a further 3 consecutive five-year terms.

On January 1, 2019, the Credit Union recognized a lease liability measured at the present value of lease payments not yet paid in accordance with IFRS 16. The measurement reflects an expectation to renew the lease for an additional two consecutive five-year terms.

iNOVA CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2024

18. LEASES (Continued)

A right-of-use asset was recognized at the initial amount of the lease liability.

On October 20, 2021, the lease was renewed for a period of three years, commencing on September 1, 2022 and expiring on August 31, 2025. The basic monthly rent during the renewal period remains at \$23.50 per square foot plus HST. The lease renewal does not impact the measurement of the lease liability and right-of-use asset recorded in these financial statements.

Lease payments will continue to be made to Westwood Developments Limited in equal monthly installments of \$7,823.74, including an implicit interest rate, until the end of the lease term.

Changes to the lease liability and right-of-use asset balances are illustrated in the following table:

	Right-of-use Asset	Lease Liability
Balance at December 31, 2024		
Carrying amount - beginning of year	\$ 622,754	\$ 677,477
Amortization expense	(75,485)	-
Interest expense	-	22,162
Lease payments	-	(93,885)
Carrying amount - end of year	<u>\$ 547,269</u>	<u>\$ 605,754</u>
	Right-of-use Asset	Lease Liability
Balance at December 31, 2023		
Carrying amount - beginning of year	\$ 698,239	\$ 746,762
Amortization expense	(75,485)	-
Interest expense	-	24,600
Lease payments	-	(93,885)
Carrying amount - end of year	<u>\$ 622,754</u>	<u>\$ 677,477</u>

19. PREPAID EXPENSES

	2024	2023
Honeybee implementation costs	\$ 584,859	\$ 386,299
Other prepaid expenses	<u>24,142</u>	<u>19,192</u>
	<u>\$ 609,001</u>	<u>\$ 405,491</u>

The honeybee Mission is the overall brand name for League Data projects related to core banking, digital services and cyber security service. These projects include transitioning the current HORIZON core system to a new Mambu core banking platform by 2025.

The Credit Union's portion of the honeybee Mission costs were invoiced according to the following payment schedule:

- June 31, 2022 \$110,371
- January 31, 2023 \$137,964
- June 30, 2023 \$137,964
- January 31, 2024 \$198,560

These up-front payments are recorded as a prepaid asset. The prepaid asset will be amortized over the term of the honeybee service contract, which will be determined by League Data and the member Credit Unions.

iNova Credit Union Limited

SCHEDULES OF ADMINISTRATIVE AND OCCUPANCY EXPENSES

Year ended December 31

2024**% of Income****2023****% of Income****Administrative expenses**

Advertising and promotion	\$ 28,247	0.9	\$ 22,457	0.8
Accounting and audit	29,414	1.0	40,025	1.4
Atlantic Central dues	44,491	1.4	44,291	1.5
Data processing	149,721	4.9	149,094	5.2
Donations	4,750	0.2	11,548	0.4
Dues, fees and courier	4,244	0.1	6,261	0.3
Equipment repairs and maintenance	12,617	0.4	11,449	0.4
Insurance - general and bonding	28,175	0.9	28,742	1.0
Legal, collection and foreclosed property	5,082	0.2	4,004	0.1
Meeting expenses	43,642	1.4	43,820	1.5
Miscellaneous	4,177	0.1	5,339	0.2
Office, stationery and postage	34,469	1.1	30,005	1.1
Telephone	14,628	0.5	14,699	0.5
Travel	764	-	1,521	0.1
	<u>\$ 404,421</u>	<u>13.1</u>	<u>\$ 413,255</u>	<u>14.5</u>

Occupancy expenses

Heat, lights and water	\$ 13,967	0.5	\$ 11,670	0.4
Interest on lease liability	22,162	0.7	24,600	0.9
Repairs and maintenance	17,883	0.6	16,375	0.6
Rent and common area costs	<u>39,951</u>	<u>1.3</u>	<u>40,152</u>	<u>1.4</u>
	<u>\$ 93,963</u>	<u>3.1</u>	<u>\$ 92,797</u>	<u>3.3</u>

(See accompanying notes to the financial statements)

Audit and Risk Committee Report

Audit & Risk Committee Report
For the year ended December 31, 2024

Your Audit and Risk Committee meets at least quarterly to:

- a. Review and report on interim financial reports and key performance indicators.
- b. Review and report on the audited year end financial statements and follow up on all recommendations.
- c. Review correspondence from our regulators follow up on any audit irregularities.
- d. Review the Enterprise Risk Management measures.

I am pleased to report that the Committee is confident the Credit Union's financial reporting systems and controls are adequate to meet regulatory and statutory requirements.

I would like to thank my fellow committee members Justin Sampson, Suzy Hansen and Kyle Blandin for their contributions over the past year.

Respectfully submitted,
Mike Ansari
Chair, Audit & Risk Committee

Credit Committee Report

Credit Committee Report
For the year ended December 31, 2024

The responsibilities of Credit Unions are dictated by the Credit Union Act which are the basis of iNova Credit Union's policies. The committee meets on a quarterly basis to ensure the loan policy is respected. The committee reviews the loan diversification, delinquencies, the allowance for doubtful loans, loan rewrites and extensions, loans to staff and directors that are in arrears as well as approving write-offs.

The minutes of the meeting and the findings are presented to the Board on a quarterly basis, and I am pleased to report to the membership that the Board was satisfied with the reporting and the adherence to policy.

I would like to thank fellow committee members Mariah Pelley Smith, Dan MacFadgen, Gary Blackburn, Arthur Rudge and Irvine Carvery for their contributions during the year. In addition, I would like to thank Cassandra Burke, who prepares the reports and provides answers to our questions.

Respectfully Submitted,
Jayme Melrose
Chair, Credit Committee

2024 ANNUAL REPORT

Co-operative Social Responsibility Committee Report

Co-operative Social Responsibility Committee Report for the year ended December 31, 2024.

In 2024, the Cooperative Social Responsibility (CSR) Committee remained committed to fostering positive change within our community and upholding the co-operative values that define our credit union. Through strategic relationships/partnerships and targeted community investments, we worked to ensure our initiatives not only reflected the needs of our members but also contributed to a more inclusive and resilient society. The committee takes on initiatives, seeks out other projects to support as well as responds to donation requests received by the credit union.

Co-operative Principle 6 in Action – Co-operation Among Co-operatives Hosted Co-operative and Credit Union Socials:

- March 27 – Hosted with the Bus Stop Theatre Co-operative.
- June 4 – Co-op and credit union sector locally, nationally and internationally attended (~80). Co-sponsored with League Data, Co-operators Insurance and Saint Mary's University's International Centre for Co-operative Management.
- October 16 – Hosted to celebrate co-op week. Organized in partnership with the Canadian Worker Co-op Federation and Glitter Bean Café Co-op.



Springtime Sapling Giveaway:

We secured saplings that we distributed both through member business Props Floral as well as in branch.

Nova Scotia Community College Bursary:

In order to both support those pursuing important career paths (housing, healthcare, etc.) and to draw attention to the credit union among a younger audience, the credit union offered a bursary to NSCC with the benefit of a financial health check offered by iNova staff for the successful recipient.

2024 ANNUAL REPORT

Donations:

- Mi'kmawey Debert Cultural Centre
- Adsum House – emergency shelter for women and children (Staff contributes)
- Youth Project & Rainbow Refugee Association of NS (via the Rainbow Bagel Campaign)
- Mulgrave Park Caring and Learning Centre
- Bus Stop Theatre Co-op
- Black Women in Excellence (3rd Annual Pitch Competition)



(Photo credit: The Coast)



Board Members in Action:

- Credit Union Tech Conference (Montreal)
- World Credit Union Conference (Boston)
- Credit Union Leadership Program – CanadaDE (Halifax)
- Atlantic Central meetings (Halifax)
- Offered workshop to ACCEL emerging credit union leaders group on CUpreneurship (Halifax)
- Mentored in the US Credit Union Leadership Program USDE (Madison, Wisconsin)

I would like to thank my fellow committee members Suzy Hansen, Mariah Pelley-Smith, Dan MacFadgen, Jaclyn Doublett, Karla MacKeen and visiting committee member Jayme Melrose.

Respectfully submitted,
Erin Hancock
Chair, Co-operative Social Responsibility Committee

Appointment of Auditors

On behalf of the Board of Directors of iNova Credit Union, I recommend that the auditing firm of Miles T. Sweeney Limited, Chartered Accountants, or their successor as independent auditors, be reappointed as the auditors for iNova Credit Union for the 2025 fiscal year.

Mike Ansari,
Chair, Audit and Risk Committee