



Souris
CREDIT UNION

70Th

ANNUAL REPORT

PLATINUM EDITION

2024

INVESTED IN OUR COMMUNITY
70 YEARS
1954

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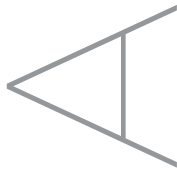
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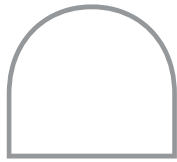
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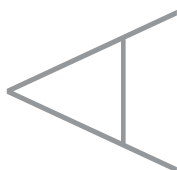
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“TO PROVIDE
OUTSTANDING SERVICE AND
PROFESSIONAL ADVICE TO
ENABLE OUR MEMBERS TO
REACH THEIR FINANCIAL
GOALS.”

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

2024 HIGHLIGHTS



ASSETS

\$135.8M



DEPOSITS

\$118.2M



LOANS

\$86.7M



MEMBERS

3473



PATRONAGE

\$346K



GROWTH

14%

S

CALL TO ORDER AND GREETING

The Chair, Brad Coffin, called the Annual Meeting of Souris Credit Union Ltd. to order at 3:00 p.m.

E

VERIFY QUORUM AND REGISTRATION REPORT

Lisa MacCormack declared that there was a quorum present.

T

Chair Brad Coffin called for a minute of silence in memory of deceased members.

D

ADOPTION OF AGENDA

On a motion by Brad Coffin and seconded by Lloyd Deagle the agenda was adopted as presented. Motion carried.

Registration Report

Megan MacAulay reported 35 Members and 3 guest(s) in attendance. Chair Brad welcomed the guests.

N

ADOPTION OF MINUTES OF 2022 ANNUAL MEETING

The Board Secretary, Karen MacKenzie, reviewed the minutes by exception of the March 15, 2023 Annual Meeting.

I

On a motion by Karen MacKenzie, seconded by Kathy Bruce the minutes were adopted as presented. Motion carried.

M

REPORT OF THE BOARD OF DIRECTORS

Chair Brad Coffin requested Secretary Karen MacKenzie accept the chair while she presented the Board of Directors report for the past year. Brad directed the Membership to the Annual report where it was recorded that the Board has declared a 0.50 % dividend be paid on shares and a patronage dividend of 7.5 % on investment products, credit products, and service charges for the fiscal year ending December 31, 2023.

M

On a motion by Brad Coffin and seconded by Charles Dunphy the Board of Directors Report was accepted as presented. Motion carried. Brad Coffin resumed the chair.

G

GENERAL MANAGERS REPORT

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

This was informational and did not require a motion.

A

FINANCIAL REPORT FROM ACCOUNTANT

Michelle Burge of MRSB Chartered Accountants reviewed the Financial Report for Souris Credit Union Ltd. for the year ended December 31, 2023. The membership was encouraged to ask questions.

Brad Coffin moved the adoption of this report, seconded by Stephen Flynn. Motion carried.

NOMINATION COMMITTEE REPORT AND INSTALLATION OF OFFICERS

Shelly Manning, Chair of the Nomination Committee reported that there was 2 positions available on the Board of Directors as Tammy Daley and Megan Cheverie have each served 3 terms of 3 years each, the maximum allowable.

In addition, a 3 year term was completed for Brad Coffin and Charles Dunphy, however they were eligible to reoffer and indicated their willingness to do so.

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

As there were 2 expressions of interest from the public, a Nomination Committee meeting was held, and potential candidates were reviewed by the committee. At the conclusion of the activity Mary Jane Callighan and Edwin McKie were recommended for the vacant director positions, Due to the changes to Souris Credit Union's bylaws adopted at our March 27, 2019 AGM, there are no further nominations from the floor and Mary Jane Callighan and Edwin McKie were elected by acclimation.

On a motion by Brad Coffin, seconded by Allison Townshend the Nomination Committee report was adopted as presented. Motion carried.

Paul MacNeill presided over the swearing-in of all directors in attendance.

DRAW FOR DOOR PRIZES

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

PRESENTATIONS

Certificates of appreciation were presented to:

•Board Member Certificates of Appreciation presented to

- o Bard Coffin & Charles Dunphy (6 Yr)**
- o Tammy Daley & Megan Cheverie (9 Yr)**

•Staff service recognition certificates

- o Melanie Jacklyn (5 Yrs)**
- o Colleen MacGregor(5 yrs)**
- o Paul MacNeill (25 Yrs)**

•Volunteer of the Year was presented to Danny Grant, Souris FD, Souris & Area Wildlife, Eastern Kings Exhibition

REMARKS FROM GUESTS

Rob McBain brought regards from PEI CUDIC, and Nova MacIsaac congratulated the Credit Union on its performance and GM Paul MacNeill for 25 years of service.

ADJOURNMENT

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

BOARD OF DIRECTORS



Brad Coffin
President



Allison Townshend
Vice-President



Karen MacKenzie
Secretary



Mary Jane Callaghan



Randy MacPhee



Stephen Flynn



Charles Dunphy



Shelly MacDonald Manning



Edwin McKie

Good afternoon, and welcome to the 71st Annual General meeting of Souris Credit Union. I was honoured to serve as President on your Board of Directors in 2024. The Board's role is to represent the interests of credit union members and transform those interests into strategic governance.

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

2024 was another good year for the region. Tourism was positive, the lobster fishery was healthy, and PEI experienced continued growth in population. Bank of Canada Prime Rate dropped steadily during the year, dropping 1.75% from 7.20 % to 5.45 %. This decrease was welcome relief for new home buyers as the ability to purchase a home became more realistic.

With the reduction in interest rates, Souris Credit Union's profitability was steady in 2024. Our income before taxes and other expenses was \$ 1.15 million, sufficient for the Board of Directors to declare a patronage dividend of approximately \$346 thousand.

Later in the agenda GM Paul MacNeill will be providing information on a new set of bylaws for Souris Credit Union, which will need to be passed by a majority of members in attendance here today. This change is necessary to modernize our bylaws to address the recently enacted Credit Union Act of PEI, and allow for our credit union to operate more efficiently. These new bylaws are endorsed by the board for your approval.

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

Respectfully submitted;



BRAD COFFIN
PRESIDENT



2024 70th ANNIVERSARY EDITION



Paul MacNeill



Karen Deagle



Cherie Chapman

E
F
A
T
S



Brett Robertson



Lori MacAulay



Tammy Rouzes



Melanie Jacklyn



Colleen MacGregor



Lorraine Mooney

2024 70th ANNIVERSARY EDITION



Audrey Aitken



Jennifer McCormack-Skinner



Sharon Jennings



Jazlyn MacLeod



Rhonda Grant



Keir Hennessey



Marissa Howlett



Mia MacAdam



Share Bear

2024 Summer Students

As General Manager it is my pleasure to speak to you about our most recent fiscal year ending December 31, 2024.

Souris Credit Union had a solid year. Our assets grew approximately 17 million, from just over \$ 118 million to just over \$ 135 million. Our operational income for the year was approximately \$ 1.15 million before taxes, similar to the \$ 1.11 million last year. It is important to note that these figures take into consideration the fact that Souris Credit Union paid approximately \$ 346 thousand in Patronage Dividends to our members. We experienced a 13.5 % increase in our loan portfolio, from 76.5 million to 86.7 million, and Member deposits increased by 16.5 %, from \$ 101.4 million to \$ 118.2 million. These results were achieved with little loan write-offs and exceptional delinquency levels.

Souris Credit Union was again an active participant in our community. Including our 70th anniversary fund, created in recognition of our 70 years of service the community, we donated over \$115.6 thousand to various local and regional initiatives.

At the conclusion of 2024 we had a director, Shelly Manning, who has reached the end of her term, and the maximum 9 year time she could serve on the board. After a call for nominations and at the conclusion of the director nomination process, Marjorie Robertson was elected as our newest board member. Welcome Marjorie, and thank you for your service, Shelly.

It is important to mention that we, as a membership, will be voting tonight on a new set of bylaws. These bylaws serve as the rules that we follow for the day to day operation of the credit union. I will discuss them in further detail later in the meeting.

Each year I acknowledge our staff, but I wanted to give them extra praise this year. At the end of April, we will be transitioning to a new digital banking platform. This change has required a substantial amount of work and training. We are very fortunate to have the team that is in place, as we couldn't provide our high level of service without their hard work and dedication. As well I would like to thank the Board of Directors, who have provided valuable strategic guidance as we navigated another year.

Respectfully submitted.



PAUL MACNEILL
GENERAL MANAGER



”

Invested in our community.

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

IN OUR COMMUNITY



IN OUR COMMUNITY



Invested in
you.

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

OUR COMMUNITY



VOLUNTEER OF THE YEAR 2024



At our Annual Meeting in March, 2024, Souris Credit Union was pleased to present the Volunteer of the Year Award to our member, Danny Grant.

Danny is an active volunteer member of the Souris Fire Department, Souris & Area Wildlife and the Souris Exhibition and we know he is always willing to lend a hand wherever needed.





Souris
CREDIT UNION



Souris Credit Union
In celebration of our 70th
anniversary, has donated

\$70,000.00

to various community initiatives



Since 2012, we have given back to the
community

\$4.48 Million

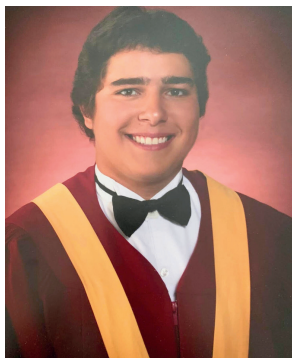
With patronage rebates of
\$346,859.39 and an additional
\$45,487.00 donated in 2024

Since our inception
we have given out

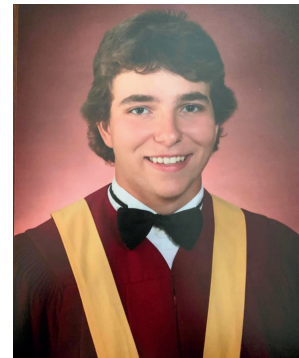
\$253,100.00
in student bursaries



BURSARY RECIPIENTS



Andrew MacGregor
Souris Credit Union 70th
Anniversary Bursary



Brent MacGregor
Souris Credit Union Bursary



Grace Antle
Wayne D Kane Honorarium



Kacie McCloskey
Abby Chaisson Memorial



Julie Keus
Margaret MacDonald Memorial



Lydia MacDonald
Robert D Gregory Memorial



Mia MacKenzie
Eleanor Clinton Memorial

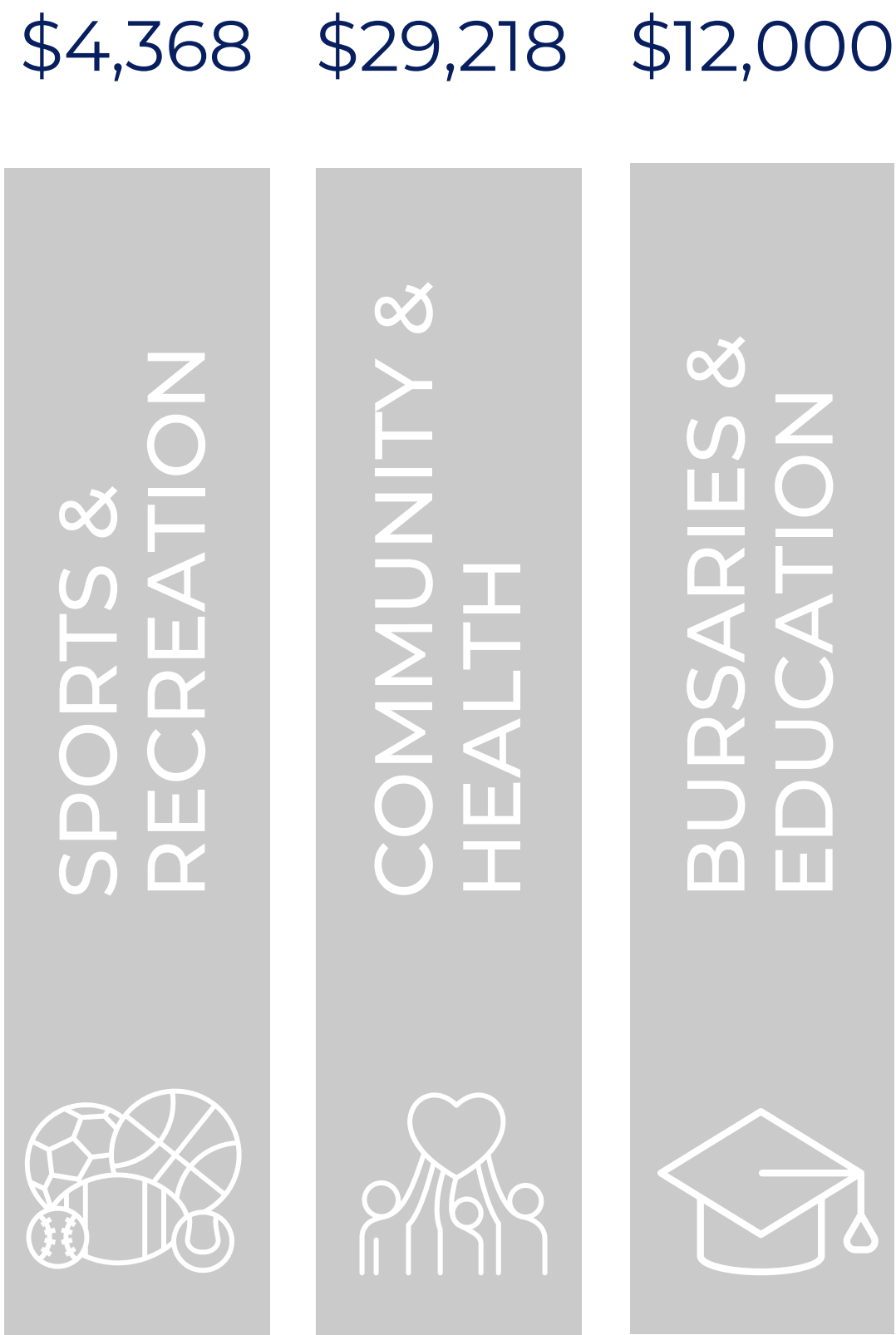
We are pleased to announce 7 Souris Credit Union Bursary Recipients for 2024, 6 regular bursaries and an additional special 70th anniversary prize .

Each Bursary recipient received \$2,000 towards furthering their education. In total, Souris Credit Union distributed \$14,000.

\$14K

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

2024 DONATIONS



\$45K

This year, we invested over \$ 45,587 in donations and sponsorships benefiting not only community groups, but also numerous local families alike.

COMMUNITARIANISM



We invested in education by granting \$ 12,000 in bursaries to young Members and donated to the Atlantic Central School Program.



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



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



We invested in the health of our community by actively supporting the Points East Lighthouse Run and Souris Trail Riders .



We invested in charities outside of our community like Holland College Student Wellness Center and the UPEI Entrepreneur Centre.



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



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

100%

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

FINANCIAL STATEMENTS

Souris Credit Union Limited Financial Statements December 31, 2024



SOURIS CREDIT UNION LIMITED

Financial Statements

December 31, 2024

M|R|S|B

SOURIS CREDIT UNION LIMITED

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December 31, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Members of Souris Credit Union Limited

Opinion

We have audited the financial statements of Souris Credit Union Limited (the Credit Union), which comprise the statement of financial position as at December 31, 2024, and the statements of profit or loss and other comprehensive income and cash flows for the year then ended, and notes and schedules to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

(continues)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

MRSB Chartered Professional Accountants Inc.

MRSB CHARTERED PROFESSIONAL ACCOUNTANTS INC.

Charlottetown, PE

February 18, 2025

SOURIS CREDIT UNION LIMITED
Statement of Financial Position
December 31, 2024

	2024	2023
ASSETS		
Cash and cash equivalents (Note 6)	\$ 15,322,557	\$ 14,891,316
Investments (Note 7)	29,254,232	22,967,228
Accounts receivable (Note 8)	2,225,349	2,292,065
Member loans and mortgages (Note 9)	86,716,658	76,488,475
Provision for impaired loans (Note 10)	(325,232)	(326,706)
Income taxes recoverable	-	96,845
Prepaid expense	815,643	563,061
Deferred income taxes (Note 12)	218,220	210,870
Property and equipment (Schedule 1)	610,991	594,827
Restricted cash - retirement allowance	584,597	532,094
Deferred pension benefit (Note 14)	339,764	384,164
	<u>\$135,762,779</u>	<u>\$118,694,239</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 524,893	\$ 784,690
Employee benefits payable	231,210	214,149
Income taxes payable	14,161	-
Accrued interest payable	787,776	673,024
Member deposits (Note 13)	118,160,652	101,422,760
Share deposits	4,170,145	4,643,831
Retirement allowance payable	584,597	532,094
	<u>124,473,434</u>	<u>108,270,548</u>
MEMBERS' EQUITY		
Members' shares (Statement 4)	18,330	18,610
Accumulated other comprehensive income (Statement 4)	958,036	985,836
Undistributed earnings (Statement 4)	10,312,979	9,419,245
	<u>11,289,345</u>	<u>10,423,691</u>
	<u>\$135,762,779</u>	<u>\$118,694,239</u>

On behalf of the Board

 Director
 Director

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

SOURIS CREDIT UNION LIMITED
Statement of Changes in Members' Equity
Year Ended December 31, 2024

	2024	2023
Members' shares (Note 15)		
Balance - beginning of year	\$ 18,610	\$ 18,480
Issuance of members' shares, net of redemption	<u>(280)</u>	<u>130</u>
Balance - end of year	<u>18,330</u>	<u>18,610</u>
Accumulated other comprehensive income (Note 14)		
Balance - beginning of year	985,836	1,037,836
Actuarial loss on defined pension plan (Statement 5)	<u>(27,800)</u>	<u>(52,000)</u>
Balance - end of year	<u>958,036</u>	<u>985,836</u>
Undistributed earnings		
Balance - beginning of year	9,419,245	8,610,932
Net income (Statement 5)	<u>893,734</u>	<u>808,313</u>
Balance - end of year	<u>10,312,979</u>	<u>9,419,245</u>
Members' equity	<u><u>\$ 11,289,345</u></u>	<u><u>\$ 10,423,691</u></u>

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

SOURIS CREDIT UNION LIMITED
Statement of Profit or Loss and Other Comprehensive Income
Year Ended December 31, 2024

	2024	2023
Income		
Interest and investment	\$ 7,796,154	\$ 7,131,323
Cost of capital and borrowings (Note 16)	<u>4,379,957</u>	<u>3,937,619</u>
Financial margin	<u>3,416,197</u>	<u>3,193,704</u>
Other		
Commissions	561,558	490,490
Miscellaneous	<u>63,835</u>	<u>58,228</u>
	<u>625,393</u>	<u>548,718</u>
	<u>4,041,590</u>	<u>3,742,422</u>
Expenses		
Advertising and promotions	74,513	127,137
Amortization of property and equipment	35,000	28,076
Automated teller machines	213,292	178,141
Board honorarium	22,786	17,815
Data processing	155,751	154,344
Director training	-	1,138
Dues and memberships	10,296	5,058
Insurance	163,298	147,893
Meetings	9,085	5,604
Office	252,005	225,472
Pension (Note 14)	51,000	52,000
Premises	62,774	65,632
Professional fees	49,932	32,802
Provision (recovery) for impaired loans	1,169	(6,398)
Service fees	441,480	406,898
Telephone	15,106	11,035
Travel	16,994	3,364
Wages and wage levies	<u>1,313,832</u>	<u>1,174,556</u>
	<u>2,888,313</u>	<u>2,630,567</u>
Income before income taxes and other comprehensive income	<u>1,153,277</u>	<u>1,111,855</u>
Income taxes		
Current (Note 17)	266,893	252,727
Deferred (Note 12)	<u>(7,350)</u>	<u>50,815</u>
	<u>259,543</u>	<u>303,542</u>
Net income	893,734	808,313
Other comprehensive loss		
Actuarial loss on defined pension plan (Note 14)	<u>(27,800)</u>	<u>(52,000)</u>
Net comprehensive income	<u>\$ 865,934</u>	<u>\$ 756,313</u>

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

SOURIS CREDIT UNION LIMITED

Statement of Cash Flows

Year Ended December 31, 2024

	2024	2023
Cash flows from operating activities		
Net comprehensive income	\$ 865,934	\$ 756,313
Items not affecting cash:		
Amortization of property and equipment	35,000	28,076
Deferred income taxes	(7,350)	50,815
	<u>893,584</u>	<u>835,204</u>
Changes in non-cash working capital:		
Investments	(6,287,004)	(6,988)
Accounts receivable	66,716	(677,768)
Accounts payable and accrued liabilities	(259,798)	654,924
Income taxes payable	111,006	(274,053)
Prepaid expense	(252,582)	(374,033)
Employee benefits payable	17,061	18,551
Accrued interest payable	114,752	416,874
	<u>(6,489,849)</u>	<u>(242,493)</u>
	<u>(5,596,265)</u>	<u>592,711</u>
Cash flows from investing activities		
Increase in member loans and mortgages	(10,229,657)	(7,276,531)
Increase in restricted cash - retirement allowance	(52,503)	(43,017)
Purchase of property and equipment	(51,163)	(70,725)
Decrease in deferred pension benefit	44,400	53,800
	<u>(10,288,923)</u>	<u>(7,336,473)</u>
Cash flows from financing activities		
Increase in member deposits	16,737,892	7,417,384
Decrease in share deposits and members' shares	(473,966)	(1,246,520)
Increase in retirement allowance payable	52,503	43,017
	<u>16,316,429</u>	<u>6,213,881</u>
Increase (decrease) in cash	<u>431,241</u>	<u>(529,881)</u>
Cash and cash equivalents - beginning of year	<u>14,891,316</u>	<u>15,421,197</u>
Cash and cash equivalents - end of year	<u>\$ 15,322,557</u>	<u>\$ 14,891,316</u>
Cash flows supplementary information (Note 18)		

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

SOURIS CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2024

1. REPORTING ENTITY

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

2. BASIS OF ACCOUNTING

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

These financial statements were authorized for issue by the Board of Directors on February 18, 2025. The members of the Souris Credit Union have the power to amend the financial statements after issuance.

3. BASIS OF MEASUREMENT

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Investments

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

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

(continues)

SOURIS CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2024

4. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Accounts receivable

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

Loans and mortgages

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

Impairment

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

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

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

- Stage 1 - where there has not been a significant increase in credit risk since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.
- Stage 2 - when a financial instrument experiences a credit risk subsequent to origination but it is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.
- Stage 3 - financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

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

Details of these statistical inputs are as follows:

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

(continues)

SOURIS CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2024

4. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

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

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

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

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

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

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

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

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

(*continues*)

SOURIS CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2024

4. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Impairment of financial assets

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

Deferred income taxes

Income tax expense comprises current and deferred tax.

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

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction and at the time of the transaction affects neither accounting or taxable profit or loss.

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

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

Property and equipment

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

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

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

(continues)

SOURIS CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2024

4. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Finance charges

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

Employee future benefits

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

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

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

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

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

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

Contributions to the defined contribution plan are recognized as an expense in the year that the relevant employee services are rendered. During the year, the contributions by the Credit Union to the defined contribution pension plan were \$31,340 (2023 - \$30,428).

(*continues*)

SOURIS CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2024

4. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Member deposits

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

Share deposits pay a dividend return at the discretion of the Board of Directors. Privileges of the shares are under the authority of the Board of Directors. The dividend rate declared and paid for 2024 was 0.5% (2023 - 0.5%), and was based on the average of the lowest monthly share balances.

Share deposits

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

Foreign currency translation

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

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

Financial assets and financial liabilities

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

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

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

(continues)

SOURIS CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2024

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

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

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

Income and expense recognition

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

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

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

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SOURIS CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2024

4. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Government assistance

During the year, the Credit Union received \$7,209 (2023 - \$2,413) from the Province of PEI for wage subsidies included in wage expense.

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

Changes in accounting standards

Future accounting developments

A number of new standards and amendments to standards and interpretations are not yet effective for the year ended December 31, 2024 and have not been adopted by the Credit Union in preparing these financial statements.

IFRS 18 - Presentation and Disclosure in Financial Statements

IFRS 18 will replace IAS 1 *Presentation of Financial Statements* and applies for annual reporting periods beginning on or after January 1, 2027. The new standard introduces the following key new requirements:

- Present specified categories and defined subtotals in the statement of profit or loss
- Provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements
- Improve aggregation and disaggregation.

The Credit Union is still in the process of assessing the impact of the new standard on its financial statements.

Interest income and expense

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

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

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

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

SOURIS CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2024

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

(a) Allowance for credit losses

The expected credit loss model requires the recognition of credit losses based on up to 12 months of expected losses for performing loans and the recognition of lifetime losses on performing loans that have experienced a significant credit risk since origination.

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

(b) Estimated useful lives of property and equipment

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

(c) Income taxes

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

6. CASH AND CASH EQUIVALENTS

	2024	2023
Term deposit investments	\$ 11,750,000	\$ 12,000,000
Cash in financial institutions	3,099,384	2,442,666
Cash on hand	473,173	448,650
	<u>\$ 15,322,557</u>	<u>\$ 14,891,316</u>

SOURIS CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2024

7. INVESTMENTS

	2024	2023
<u>Shares</u>		
Atlantic Central Credit Union Limited - common shares	\$ 895,103	\$ 1,033,430
Atlantic Central Credit Union Limited - 50,478 Class LSM preferred shares	633,695	633,695
League Data Limited - 21,613 Class B preferred shares	216,130	16,130
Atlantic Central Credit Union Limited - Class B preferred shares	117,200	117,200
Atlantic Central Credit Union Limited - Class PEI shares	800	800
Concentra Financial	-	500,000
	<u>1,862,928</u>	<u>2,301,255</u>
<u>Debentures</u>		
Atlantic Central Credit Union Limited liquidity deposit	8,371,457	7,315,973
Concentra Financial term deposits	7,500,000	3,250,000
League Savings and Mortgage term deposits	7,000,000	3,600,000
Atlantic Central Credit Union Limited term deposits	4,519,847	6,500,000
	<u>27,391,304</u>	<u>20,665,973</u>
	<u>\$ 29,254,232</u>	<u>\$ 22,967,228</u>

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

8. ACCOUNTS RECEIVABLE

	2024	2023
Accrued interest - loans and mortgages	\$ 1,688,684	\$ 1,691,114
Accrued interest - investments	472,170	462,139
Other receivables	64,495	138,812
	<u>\$ 2,225,349</u>	<u>\$ 2,292,065</u>

SOURIS CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2024

9. MEMBER LOANS AND MORTGAGES

	Total loans	Loans allowance	Net loans
2024			
Commercial	\$ 51,742,954	\$ (200,042)	\$ 51,542,912
Personal	6,765,762	(69,547)	6,696,215
Mortgages	19,755,102	(14,950)	19,740,152
LS&M high ratio mortgages	7,047,615	(11,895)	7,035,720
Lines of credit and overdrafts	1,405,225	(28,798)	1,376,427
	<u>\$ 86,716,658</u>	<u>\$ (325,232)</u>	<u>\$ 86,391,426</u>
2023			
Commercial	\$ 45,467,332	\$ (106,589)	\$ 45,360,743
Personal	7,168,743	(87,233)	7,081,510
Mortgages	14,940,721	(117,494)	14,823,227
LS&M high ratio mortgages	7,650,102	(2,295)	7,647,807
Lines of credit and overdrafts	1,261,577	(13,095)	1,248,482
	<u>\$ 76,488,475</u>	<u>\$ (326,706)</u>	<u>\$ 76,161,769</u>

10. PROVISION FOR IMPAIRED LOANS

	2024	2023
Provision for impaired loans - beginning of year	\$ 326,706	\$ 326,706
Provision (recovery) for impaired loans - current year	1,169	(6,398)
Recovery of loans written off	-	8,282
Loans written off - current year	<u>(2,643)</u>	<u>(1,884)</u>
Provision for impaired loans - end of year	<u>\$ 325,232</u>	<u>\$ 326,706</u>

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

SOURIS CREDIT UNION LIMITED**Notes to Financial Statements****Year Ended December 31, 2024****11. LOANS IN ARREARS**

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

	<u>2024</u>	<u>2023</u>
0 to 30 days	\$ 158,911	\$ 10,258
31 to 60 days	140,966	215,881
91 to 180 days	659	-
	<u>\$ 300,536</u>	<u>\$ 226,139</u>

12. DEFERRED INCOME TAXES

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

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

	<u>2024</u>	<u>2023</u>
Deferred income tax asset		
Property and equipment	\$ 4,541	\$ 4,702
Retirement allowance	213,679	206,168
	<u>\$ 218,220</u>	<u>\$ 210,870</u>

13. MEMBER DEPOSITS

	<u>2024</u>	<u>2023</u>
Call deposits	\$ 51,053,703	\$ 43,372,010
Chequing accounts	20,878,662	19,547,997
Tax Free Savings Account (TFSA) deposits	20,469,132	15,868,491
Registered Retirement Savings Plan (RRSP) deposits	11,784,666	9,925,527
Term deposits	7,004,757	6,581,809
Registered Retirement Income Fund (RRIF) deposits	6,969,732	6,126,926
	<u>\$118,160,652</u>	<u>\$101,422,760</u>

SOURIS CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2024

14. DEFERRED PENSION PLAN

Defined benefit pension plan

Souris Credit Union Limited established a final salary defined benefit pension plan for its employees in 2002. The most recent independent actuarial valuation on this pension plan for funding purposes was performed as at November 1, 2023. The next actuarial valuation is scheduled to occur with an effective date of November 2026.

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

	2024	2023
Changes in accrued benefit obligation:		
Balance - beginning of year	\$ 3,542,300	\$ 3,163,800
Current service	65,800	71,400
Interest on liabilities	164,300	163,000
Employee contributions	25,200	23,300
Actuarial losses (gains) due to financial experience	(46,800)	244,200
Benefits paid	(123,400)	(123,400)
Balance - end of year	3,627,400	3,542,300
Change in fair value of plan assets:		
Balance - beginning of year	3,926,464	3,601,764
Employer contributions	34,400	50,200
Employee contributions	25,200	23,300
Expected investment return	179,100	182,400
Actual gains due to financial experience	365,600	192,200
Benefits paid	(123,400)	(123,400)
Balance - end of year	4,407,364	3,926,464
Change in recoverable surplus	440,200	-
Deferred pension benefit	\$ (339,764)	\$ (384,164)

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

Discount rate	4.70 %	4.60 %
Expected return on plan assets	4.70 %	4.60 %
Rate of salary increase	3.00 %	3.00 %
Inflation rate	2.50 %	2.50 %

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

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

(continues)

SOURIS CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2024

14. DEFERRED PENSION PLAN (continued)

	<u>2024</u>	<u>2023</u>
The expense for the Credit Union's defined benefit plan is as follows:		
Current service costs	\$ 65,800	\$ 71,400
Interest on liabilities	164,300	163,000
Expected investment return	(179,100)	(182,400)
Pension expense recognized in net income	<u>\$ 51,000</u>	<u>\$ 52,000</u>
Actuarial loss in other comprehensive income	<u>\$ (27,800)</u>	<u>\$ (52,000)</u>
Cumulative actuarial gains recognized in comprehensive income	<u>\$ 958,036</u>	<u>\$ 985,836</u>

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

The investment asset mix of the defined benefit pension plan at December 31, 2024 is as follows:

Cash and cash equivalents	2.40 %	\$ 104,980
Canadian equities	22.50 %	991,364
US equities	11.50 %	507,050
International equities	23.20 %	1,022,637
Fixed income	10.60 %	468,173
Federal bonds	0.90 %	40,811
Provincial bonds	1.40 %	63,224
Municipal bonds	0.20 %	9,701
Commercial bonds	26.10 %	1,150,919
Commercial mortgages	1.10 %	48,505
	<u>100 %</u>	<u>\$ 4,407,364</u>

Liabilities at December 31, 2024:

Extrapolated present value of benefit obligation \$ 3,627,400

Sensitivity of liabilities at December 31, 2024:

1.0% increase in discount rate	\$ 3,190,800
1.0% decrease in discount rate	\$ 4,161,200
1.0% increase in rate of salary increase	\$ 3,744,000
1.0% decrease in rate of salary increase	\$ 3,514,600

Maturity profile of liabilities at December 31, 2024:

Weighted average duration of liabilities **13.4 years**

The Credit Union expects employer contributions of \$Nil to be paid for the next fiscal year.

SOURIS CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2024

15. MEMBERS' SHARES

	Number of shares	December 31 2024	Number of shares	December 31 2023
Balance - beginning of year	3,722	\$ 18,610	3,696	\$ 18,480
Shares issued, net of redemption	(56)	(280)	26	130
Balance - end of year	3,666	\$ 18,330	3,722	\$ 18,610

16. COST OF CAPITAL AND BORROWINGS

	2024	2023
Interest and service charges	\$ 4,015,843	\$ 3,365,106
Patronage dividends	345,739	550,000
Share dividends	18,375	22,513
	<u>\$ 4,379,957</u>	<u>\$ 3,937,619</u>

17. INCOME TAXES

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 30.21% (2023 - 28.86%) to the income for the year and is reconciled as follows:

	2024	2023
Income before income taxes and other comprehensive income	<u>\$ 1,153,277</u>	<u>\$ 1,111,855</u>
Income tax expense at the combined basic federal and provincial tax rate	\$ 348,405	\$ 320,881
Increase (decrease) resulting from:		
Small business deduction	(87,374)	(86,367)
Capital cost allowance claimed in excess of amortization	(378)	(1,118)
Non-deductible expenses	6,240	19,331
Effective tax expense	<u>\$ 266,893</u>	<u>\$ 252,727</u>

The effective income tax rate is 23.14% (2023 - 22.73%).

SOURIS CREDIT UNION LIMITED**Notes to Financial Statements****Year Ended December 31, 2024****18. CASH FLOW SUPPLEMENTARY INFORMATION**

	<u>2024</u>	<u>2023</u>
Interest received	\$ 7,788,553	\$ 6,522,285
Interest paid	3,896,967	2,944,322
Income taxes paid	155,887	525,371

19. LINE OF CREDIT AVAILABILITY

The Credit Union has an approved line of credit with Atlantic Central Credit Union Limited of \$2,974,000, which is due for renewal on December 31, 2050, and was not utilized at the year end. The line of credit bears an interest rate of prime less 0.5% and is secured by a general security agreement.

20. RELATED PARTY TRANSACTIONS

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

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

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

	<u>2024</u>	<u>2023</u>
Short-term employee benefits	\$ 425,510	\$ 391,661
Contributions to a retirement pension plan	30,575	41,270
Mortgages, loan balances, and lines of credit due from key management at December 31	275,829	285,701
Deposit balances due to key management at December 31	9,863	52,670

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

SOURIS CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2024

21. RISK MANAGEMENT

The Credit Union manages significant risks through comprehensive infrastructure of policies, procedures, methods, oversight, and independent review designed to reduce the significant risks and to manage those risks within an appropriate threshold. The Board of Directors is provided with timely, relevant, accurate, and complete reports on the management of significant risks. Significant risks managed by the Credit Union include credit, liquidity, currency and interest rate risks.

(a) Credit risk

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

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

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

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

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

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

(continues)

SOURIS CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2024

21. RISK MANAGEMENT (continued)

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

	2024	2023
Cash and cash equivalents	\$ 15,322,557	\$ 14,891,316
Investments	29,254,232	22,967,228
Accounts receivable	2,225,349	2,292,065
Member loans and mortgages, net of provision	86,391,426	76,161,769
Restricted cash - retiring allowance	584,597	532,094
	<u>\$ 133,778,161</u>	<u>\$ 116,844,472</u>

(b) Liquidity risk

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

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

	Under 1 year	Over 1 to 5 years	Over 5 years	Total
2024	\$ 108,321,578	\$ 16,151,856	\$ Nil	\$ 124,473,434
2023	\$ 99,556,134	\$ 8,714,414	\$ Nil	\$ 108,270,548

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

The following is a maturity analysis of financial instruments on the statement of financial position that contain a current and non-current portion as of December 31, 2024:

	Under 1 year	Over 1 to 5 years	Over 5 years	Total
Investments	\$ 29,254,232	\$ -	\$ -	\$ 29,254,232
Member loans and mortgages	\$ 41,343,221	\$ 44,928,653	\$ 119,552	\$ 86,391,426
Retirement allowance	\$ 538,058	\$ 46,539	\$ -	\$ 584,597
Member deposits	\$ 102,055,335	\$ 16,105,317	\$ -	\$ 118,160,652

(continues)

SOURIS CREDIT UNION LIMITED
Notes to Financial Statements
Year Ended December 31, 2024

21. RISK MANAGEMENT (continued)

(c) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Credit Union is exposed to currency risk through its cash accounts and member deposits. The Credit Union maintains deposits in foreign currencies to service its member accounts. At December 31, 2024, the Credit Union had cash and bank balances of \$218,138 USD (2023 - \$140,237 USD) and member accounts of \$33,861 USD (2023 - \$14,415 USD).

(d) Interest rate risk

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

Before tax impact on net interest income of:	2024	2023
1% increase in interest rates	\$(2,363,475)	\$(1,169,399)
1% decrease in interest rates	\$ 171,506	\$ (214,020)

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

Souris Credit Union Limited has evaluated the fair value of its financial instruments based on the current interest rate environment, market values and the actual prices of financial instruments with similar terms. Fair value represents the amount at which a financial investment could be exchanged in an arm's length transaction between willing parties under no compulsion to act and is best evidenced by a quoted market price, if one exists. Quoted market prices are not available for a significant portion of the Credit Union's financial instruments.

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

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

Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar financial instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets.

Level 3 - Valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data.

SOURIS CREDIT UNION LIMITED

Notes to Financial Statements

Year Ended December 31, 2024

23. CAPITAL MANAGEMENT

Souris Credit Union Limited provides lending services to its members in the form of loans, lines of credit and mortgages. The Credit Union's objective in the lending process is to remain within the lending guidelines set for the institution and to provide an adequate return to its members through adjusting risk premiums with the level of assessed risk on an individual basis. These services are provided to members at the discretion of the general manager and lending personnel within the established parameters. Total lending activities managed by the Credit Union as of December 31, 2024 amounted to \$86,391,426 (2023 - \$76,161,769).

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

	2024	2023
Members' shares (Statement 4)	\$ 18,330	\$ 18,610
Accumulated other comprehensive income (Statement 4)	958,036	985,836
Undistributed earnings (Statement 4)	10,312,979	9,419,245
Total regulatory equity	11,289,345	10,423,691
Total assets	135,762,779	118,694,239
	8.32 %	8.78 %

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

	2024	2023
Total assets	\$ 135,762,779	\$ 118,694,239
Liquid assets	46,802,138	40,150,608
	34.47 %	33.83 %

SOURIS CREDIT UNION LIMITED
Schedules to Financial Statements
Statement of Property and Equipment
Year Ended December 31, 2024

(Schedule 1)

	Cost beginning of year	Additions	Disposals and write downs	Cost end of year	Accum amort beginning of year	Amort in the year	Disposals and write downs	Accum amort end of year	Net book value
2024									
Land	\$ 179,291	-	\$ -	\$ 179,291	\$ -	-	\$ -	\$ -	\$ 179,291
Building	999,382	-	-	999,382	696,676	15,136	-	711,811	287,571
Furniture and equipment	236,514	-	-	236,514	213,511	10,570	-	224,081	12,433
ATMs	50,073	51,163	-	101,236	35,306	2,953	-	38,259	62,977
Computer hardware	132,962	-	-	132,962	132,159	400	-	132,559	403
Pavement	109,395	-	-	109,395	35,138	5,941	-	41,079	68,316
	<u>\$ 1,707,617</u>	<u>\$ 51,163</u>	<u>\$ -</u>	<u>\$ 1,758,780</u>	<u>\$ 1,112,790</u>	<u>\$ 35,000</u>	<u>\$ -</u>	<u>\$ 1,147,789</u>	<u>\$ 610,991</u>

	Cost beginning of year	Additions	Disposals and write downs	Cost end of year	Accum amort beginning of year	Amort in the year	Disposals and write downs	Accum amort end of year	Net book value
2023									
Land	\$ 179,291	-	\$ -	\$ 179,291	\$ -	-	\$ -	\$ -	\$ 179,291
Building	999,382	-	-	999,382	680,744	15,931	-	696,676	302,706
Furniture and equipment	236,514	-	-	236,514	207,760	5,751	-	213,511	23,003
ATMs	50,073	-	-	50,073	31,614	3,692	-	35,306	14,767
Computer hardware	132,962	-	-	132,962	131,814	345	-	132,159	803
Pavement	38,670	70,725	-	109,395	32,781	2,357	-	35,138	74,257
	<u>\$ 1,636,892</u>	<u>\$ 70,725</u>	<u>\$ -</u>	<u>\$ 1,707,617</u>	<u>\$ 1,084,713</u>	<u>\$ 28,076</u>	<u>\$ -</u>	<u>\$ 1,112,790</u>	<u>\$ 594,827</u>

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

SOURIS CREDIT UNION LIMITED
Schedules to Financial Statements
Interest Rate Sensitivity
Year Ended December 31, 2024

(Schedule 2)

	Under 1 year	Over 1 to 5 years	Over 5 years	Not interest rate sensitive	Total
ASSETS					
Cash and cash equivalents	\$ 14,986,063	\$ -	\$ -	\$ 336,494	\$ 15,322,557
Effective interest rate	4.40 %	-	-	-	
Investments	27,391,304	-	-	1,862,928	29,254,232
Effective interest rate	4.73 %	-	-	-	
Accounts receivable	-	-	-	2,225,349	2,225,349
Personal and commercial loans and mortgages	39,966,795	44,928,653	119,552	-	85,015,000
Effective interest rate	6.70 %	6.52 %	6.03 %	-	
Lines of credit and overdrafts	1,376,426	-	-	-	1,376,426
Effective interest rate	9.47 %	-	-	-	
Prepaid expense	-	-	-	815,643	815,643
Deferred income taxes	-	-	-	218,220	218,220
Property and equipment	-	-	-	610,991	610,991
Restricted cash - retirement allowance	-	-	-	584,597	584,597
Deferred pension benefit	-	-	-	339,764	339,764
	\$ 83,720,588	\$ 44,928,653	\$ 119,552	\$ 6,993,986	\$135,762,779

LIABILITIES AND MEMBERS' EQUITY

Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 524,893	\$ 524,893
Employee benefits payable	-	-	-	231,210	231,210
Accrued interest payable	-	-	-	787,776	787,776
Income taxes payable	-	-	-	14,161	14,161
Member deposits	83,598,110	16,105,317	-	18,457,225	118,160,652
Effective interest rate	4.38 %	4.59 %	-	-	
Share deposits	4,170,145	-	-	-	4,170,145
Effective interest rate	0.50 %	-	-	-	
Retirement allowance payable	-	-	-	584,597	584,597
Members' shares	18,330	-	-	-	18,330
Effective interest rate	0.50 %	-	-	-	
Accumulated other comprehensive income	-	-	-	958,036	958,036
Undistributed earnings	-	-	-	10,312,979	10,312,979
	\$ 87,786,585	\$ 16,105,317	\$ -	\$ 31,870,877	\$135,762,779

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

As at December 31, 2024, Souris Credit Union Limited's net interest spread was 1.90%. The net interest spread is calculated by expressing the difference between (a) the percentage of income earned on the average year end interest bearing assets and (b) the percentage of costs of capital and borrowings on the average year end interest bearing liabilities.



Souris
CREDIT UNION

BYLAWS

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ARTICLE 1 – DEFINITIONS AND INCONSISTENT PROVISIONS

Definitions

1.01 In these bylaws, unless the context otherwise requires:

- (a) “Act” means the *Credit Unions Act*, RSPEI 1988, c C-29.1, as amended, and includes the Regulations made under section 157 of the Act;
- (b) “Atlantic Central” means the Atlantic Central continued under s. 182 of the *Credit Union Act*, SNS 1994, c 4;
- (c) “ballot” means a method or instrument used to cast a vote in an election or decision-making process, which may be presented in either physical (paper) or digital (electronic) form.
- (d) “Board” means the Board of directors of the Credit Union;
- (e) “body corporate” means a body corporate wherever or however incorporated and includes a co-operative or credit union, but does not include a public body;
- (f) “Corporation” means the Credit Union Deposit Insurance Corporation continued under section 161 of the Act;
- (g) “Credit Union” means Souris Credit Union Ltd.
- (h) “creditor” means a person, other than a shareholder or depositor, to whom the Credit Union owes money;
- (i) “director” means an individual occupying the position of director of the Credit Union;
- (j) “document” means a report, return or other instrument required pursuant to the Act or these bylaws;
- (k) “Executive Management”- means the Chief Executive Officer and their immediate team of executive leaders.
- (l) “form” means a document prepared in a manner and style as prescribed by these bylaws;
- (m) “general meeting” means any annual, regular, or special or class meeting of the members and, in the case of credit unions having a delegate structure, includes delegate meetings;
- (n) “individual” means a natural person;
- (o) “member” means a person who has been admitted to membership in the Credit Union and whose name is entered on its register of members and who has

subscribed for the minimum number of membership shares as determined by resolution of the Board;

- (p) “Minister” means the Minister of Justice and Public Safety and Attorney General for the Province of Prince Edward Island;
- (q) “net income” means income less expenses prior to provisions for share dividends, patronage allocations, reserves, and income taxes;
- (r) “officer” has the meaning as set out in Article 7.01 of these bylaws;
- (s) “ordinarily resident” means a person who resides in the province for 183 consecutive days or more each calendar year.
- (t) “ordinary resolution” means a resolution that is passed at a meeting by majority of the votes validly cast by the persons present or represented at the meeting;
- (u) “patronage allocations” means earnings which are allocated to members on the basis of patronage;
- (v) “person” includes an individual, partnership, unincorporated association or organization, trust, body corporate or public body;
- (w) “poll captain” means is an individual responsible for overseeing election activities at a specific polling location or within a designated area.
- (x) “Registrar” means the Registrar appointed pursuant to section 111 of the Act;
- (y) “Regulations” means all regulations now or hereafter in force made pursuant to the Act;
- (z) “special resolution” means a resolution that is passed by a majority of two-thirds (2/3) of the votes validly cast by the persons present or represented at the meeting;
- (aa) “subsidiary” means a body corporate in which the Credit Union beneficially owns voting rights sufficient, if exercised, to elect a majority of the directors of the body corporate.

Singular and Plural

- 1.02 Unless the context otherwise requires, defined words importing the singular will include the plural and vice versa.

Interpretation and Inconsistent Provisions

- 1.03 These bylaws must be read and applied in conjunction with the Act and all amendments thereto and Regulations made pursuant to the Act except where said Act or Regulations state these bylaws may otherwise provide, any applicable provision of the Act or Regulations inconsistent with these bylaws will prevail.

ARTICLE 2 – REGISTERED OFFICE & RECORDS

Registered Office

- 2.01 The registered office of the Credit Union shall be 129 Main Street, Souris, PE.
- 2.02 Changes in the registered office of the Credit Union shall be approved by the Board and notification of such changes shall be provided in writing to the Registrar within thirty (30) days of Board approval.

Records

- 2.03 The Credit Union shall maintain records as specified in the Act, including but not limited to, the following records and documents:
- (a) loan policies and loan documents,
 - (b) personnel policies and employee records,
 - (c) risk management policies and records,
 - (d) all additional approved Board policies,
 - (e) inspection reports,
 - (f) membership and banking documentation,
 - (g) operational reporting systems,
 - (h) documentation and records required by the Act or other Federal or Provincial statutes, and
 - (i) any other documentation or records deemed appropriate by the Credit Union.
- 2.04 The Credit Union shall maintain records and documents as specified in the record retention policy as approved by the Board.

ARTICLE 3 – MEMBERSHIP

Membership

- 3.01 The membership of the Credit Union consists of those members defined in accordance with Article 1.01(o) of these bylaws.
- 3.02 The primary field of membership shall be limited to persons who are ordinarily resident in Prince Edward Island.
- 3.03 Subject to such conditions as the Board may establish, a member who ceases to be within the primary field of membership may retain their membership.
- 3.04 Application for membership must be in writing in a manner and on such form as prescribed by the Credit Union. All applications must be approved in a manner as prescribed in Article 6.02(c) of these bylaws.
- 3.05 Any person applying for membership must satisfy the common share purchase requirements as set out in these bylaws.
- 3.06 Two (2) or more persons may jointly hold a membership in the Credit Union, and each of the joint members is entitled to vote in accordance with Article 5.29 of these bylaws.
- 3.07 Membership in the Credit Union is voluntary and open, except to the extent that it is restricted by the bond of association.

Membership Termination

- 3.08 The Board may by resolution determine circumstances in which the Chief Executive Officer may terminate the membership of a member.
- 3.09 A member may appeal a decision of the Chief Executive Officer pursuant to Article 3.08 of these bylaws to the Board, and the Board shall confirm or reverse the decision.
- 3.10 The Board may, by special resolution, order the termination of the membership of a member of the Credit Union.
- 3.11 The members may, by special resolution at any general meeting, terminate the membership of a member where the member has received at least 10 (ten) days notice that the member's membership is to be considered at that meeting.

Membership Withdrawal

- 3.12 Subject to any notice requirement of not more than ninety (90) days as fixed by resolution of the directors, a member may withdraw from membership in the Credit Union at any time.
- 3.13 A member may withdraw deposits in accordance with the Act and these bylaws.

Effect on Termination and Withdrawal Provisions

- 3.14 The withdrawal or termination of membership of a member does not relieve the member from any debt obligation that the member has to the Credit Union.

Membership Refusal

- 3.15 The Board may, by resolution, determine circumstances in which the Chief Executive Officer may refuse to admit a person to membership.

ARTICLE 4 – SHARES AND FINANCE

Membership Shares

- 4.01 Membership shares shall have a par value of five Canadian dollars (\$5.00) each.
- 4.02 The number of membership shares to be issued by the Credit Union shall be unlimited.
- 4.03 The Credit Union shall issue membership shares to any member who subscribes and pays for them.
- 4.04 Membership shares are non-assessable, and their holders are not liable to the Credit Union or its creditors in respect of them.
- 4.05 The Credit Union shall not issue membership shares until they have been fully paid for in money, unless the share is issued:
- (a) in accordance with any provisions for the conversion of other issued and outstanding securities of the Credit Union into shares of that class of shares;
 - (b) as a share dividend; or
 - (c) in accordance with the terms of an amalgamation or sale agreement pursuant to section 126 of the Act.
- 4.06 Membership shares are non-transferable.
- 4.07 Membership shares shall rank behind all other classes of shares issued by the Credit Union and holders of membership shares shall not, upon the winding-up or liquidation of the Credit Union, be entitled to redeem, in whole or in part, any membership shares until the amounts outstanding on all other classes of shares have been paid in full.

Share Certificates

- 4.08 No certificate shall be issued to shareholders to denote ownership of a share in the Credit Union.

Share Consideration

- 4.09 A Credit Union shall not issue a share if the proposed consideration for such share consists, in whole or in part, of a promissory note or a promise to pay.

Share Redemption

- 4.10 Subject to section 76 of the Act, members of the Credit Union may redeem any or all of their membership shares at any time.
- 4.11 Subject to section 76 of the Act and to these bylaws, the Credit Union may purchase, for the purpose of cancellation, any shares issued by it other than membership shares, or redeem any redeemable shares issued by it at prices not exceeding the redemption price thereof calculated according to the conditions attaching to the shares”.
- 4.12 The Credit Union shall not make any payment to purchase or redeem any shares issued by it if there are reasonable grounds for believing that the Credit Union is, or the payment would cause the Credit Union to be, insolvent.
- 4.13 Where the Board is of the opinion that a redemption of shares pursuant to the Act and these bylaws would impair the financial stability of the Credit Union, the Board may by ordinary resolution suspend any redemption of shares:
- (a) for a period of up to twelve (12) months; and
 - (b) with the approval of the Corporation, for a period of more than twelve (12) months.
- 4.14 The Credit Union may accept from any shareholder a share of the Credit Union surrendered to it as a gift but may not extinguish or reduce a liability in respect of an amount unpaid on any such share.

Liens on Deposits and Shares

- 4.15 The Credit Union has a lien on all shares or any amount standing to the credit of a member or shareholder or their legal representative for a debt due by that member or shareholder as maker, co-maker or guarantor, to the Credit Union.
- 4.16 The Credit Union may apply any moneys to the credit of the member or shareholder toward payment of any debt due by the member to the Credit Union.
- 4.17 In the absence of an agreement to the contrary, where one (1) joint member is obliged to and does pay more than a proportionate share of an assessment, levy, dues, payment, fee or other charge with respect to joint membership by reason of the default of another of the joint members, the member who paid the amount in excess of a proportionate share has a lien on the interest of and may recover the amount from the person who made the default.

Redemption of Shares on Termination and Withdrawal

- 4.18 Where the membership of a member is terminated pursuant to section 53 of the Act and these bylaws:
- (a) subject to Articles 4.10 through 4.14 of these bylaws, the Credit Union shall redeem the shares of the member within sixty (60) days after the date of the termination; and
 - (b) the corporate secretary of the Credit Union shall, within ten (10) days from the date on which the order is made, notify the member of the order.
- 4.19 Subject to Articles 4.10 through 4.14, all membership shares of a member who withdraws from membership shall be redeemed, together with all dividends accrued and unpaid thereon within ninety (90) days after the day the member withdraws from membership.

Allocation of Net Income

- 4.20 Subject to Articles 4.21 and 4.22 of these bylaws, the Credit Union shall allocate its net income and retained earnings as follows:
- (a) an allocation sufficient to maintain the doubtful accounts loss reserve as required by the regulations made pursuant to the Act;
 - (b) allocate an amount sufficient to pay corporate income tax;
 - (c) allocation to members in the form of dividends on shares;
 - (d) allocation to members in the form of patronage allocations;
 - (e) ensure capital standards as approved are fulfilled; and
 - (f) allocation to undistributed income and from this undistributed income account, the Credit Union shall ensure:
 - (i) capital standards as approved are fulfilled;
 - (ii) where required, allocate an amount sufficient to maintain the requirement for reserves for preferred share investments as stipulated in these bylaws; and
 - (iii) allocations to other reserves as approved by the Board of Directors.
- 4.21 Where the Credit Union has an accumulated deficit, it shall not allocate any of its net income or retained earnings to members unless the deficit is retired.

- 4.22 The Credit Union shall not pay any allocation in the form of cash or a credit to a member's deposit account where the Credit Union is insolvent or would be insolvent on payment of the allocation.
- 4.23 For the purposes of section 90(1) of the Act, the Credit Union shall present comparative financial statements in such form and containing such information that complies with generally accepted financial reporting standards and such additional information that may be required by the Board of Directors or the Corporation.

Dividends and Patronage Allocation

- 4.24 Subject to Article 4.26, dividends may be declared and paid on membership shares as may be established by a resolution of the Board.
- 4.25 Subject to Article 4.26, a patronage allocation may be declared and paid to members as may be established by a resolution of the Board.
- 4.26 The Credit Union shall not declare or pay a dividend on shares or a patronage allocation if there are reasonable grounds for believing that:
- (a) the Credit Union is, or would after the payment be, unable to pay its liabilities as they become due;
 - (b) the realizable value of the Credit Union's assets is, or would after the payment be, less than the aggregate of its liabilities and its equities other than retained earnings; or
 - (c) the equity of the Credit Union is, or would after the payment be, less than required under the Act and Regulations.

ARTICLE 5 – MEETINGS

Rules of Order

- 5.01 The rules of order for all meetings of members and the Board shall be based upon Robert's Rules of Order.

Place of Meetings

- 5.02 General meetings of members of the Credit Union shall be held at such a place within the Province of Prince Edward Island as may be determined by the Board from time to time.
- 5.03 Notwithstanding the physical place of a meeting, the Board may permit members to attend general meetings by telephone, electronic means or other communication facilities that permit all persons participating in the meeting to hear each other, and any member participating in a meeting by those means shall be deemed for the purposes of the Act to be present at the meeting.

Fiscal Year

- 5.04 The fiscal year of the Credit Union is the period that begins on January 1 in one (1) year and ends on December 31 of the same year.

Calling Annual Meetings

- 5.05 The Credit Union shall hold an annual meeting in each year not later than four (4) months after the end of the fiscal year of the Credit Union.
- 5.06 In the event the annual meeting is postponed or adjourned the meeting must be rescheduled to be held not later than five (5) months after the end of the fiscal year of the Credit Union.
- 5.07 Notwithstanding Articles 5.05 and 5.06 of these bylaws, and notwithstanding that the time for holding an annual meeting as required in this section is expired, where the Registrar receives a written request from the directors, the Registrar may authorize the Credit Union to hold the annual meeting at any later date that the Registrar considers appropriate.

Agenda for Annual Meeting

- 5.08 For the purpose of section 59(6) of the Act, the agenda of the annual meeting shall include but not be limited to:
- (a) Call to order;

- (b) Ascertainment that quorum is present;
- (c) Adoption of agenda;
- (d) Adoption of minutes of previous annual meeting;
- (e) Adoption of minutes of special membership meetings during the past year (if applicable);
- (f) Report of the Board;
- (g) Report of the Chief Executive Officer (if applicable);
- (h) Presentation of the financial statements;
- (i) Report of the Returning Officer;
- (j) Elections and swearing in ceremony;
- (k) New Business; and
- (l) Adjournment.

5.09 The members assembled at any annual meeting may suspend or amend the above order of business by any ordinary resolution of the members present and voting at the meeting.

Record Date

5.10 Subject to Article 5.11 of these bylaws, for the purpose of determining members or shareholders:

- (a) entitled to receive payment of a dividend or interest;
- (b) entitled to participate in a distribution on liquidation; or
- (c) for any purpose in addition to those described in clauses (a) and (b),

the directors may fix in advance a date as the record date for the determination of members or shareholders, as the case may be.

5.11 The record date mentioned in Article 5.10 of these bylaws is not to precede by more than fifty (50) days the date on which the particular action is to be taken and, in the case of the record date for the determination of members or shareholders entitled to receive notice of a general meeting, shall not precede that meeting by less than eleven (11) days.

- 5.12 Where the directors do not fix a record date:
- (a) the record date for the determination of members entitled to receive notice of a general meeting is deemed to be at the close of business on the day immediately preceding the day on which the notice is given; and
 - (b) the record date for the determination of members for any purpose other than the one described in clause (a) is deemed to be at the close of business on the day on which the directors pass a resolution relating to that purpose.

Notice of Meetings

- 5.13 The Credit Union shall give at least fourteen (14) and not more than forty (40) days notice of any general meeting to its members entitled to attend the meeting by:
- (a) sending the notice by mail to those persons at the addresses given in the registers of the Credit Union; or
 - (b) inserting the notice in one (1) issue of a newspaper in general circulation in the area served by the Credit Union or posting the notice in a place that, in the opinion of the Board, is prominent and accessible to members,
- and may use any other medium, private or public, as considered appropriate for the purpose.
- 5.14 Notwithstanding any other provision of the Act, where the Credit Union:
- (a) is required to send a statement, agreement, proposal or other document to its members with a notice of a meeting; and
 - (b) decides to insert the notice of a meeting in a newspaper pursuant to Article 5.13(b) of these bylaws,
- the credit union shall
- (c) make a copy of the document available to any member or delegate who so requests and who is entitled to attend the meeting.
- 5.15 The notice of any special meeting is required to specify the purpose for which the meeting is being called.
- 5.16 The proceedings and the business transacted at a general meeting are deemed not to be invalidated by reason only that a member did not receive notice of the meeting.

Waiver of Notice

- 5.17 Where a notice or document is required by the Act or these bylaws to be sent, the sending of the notice or document may be waived or the time for the sending of the notice or document may be extended or abridged at any time with the consent in writing of the person entitled to the notice or document.

Member Proposals

- 5.18 A member who is entitled to vote at any annual meeting of members may:
- (a) submit to the Credit Union notice of any matter that the member proposes to raise at the meeting; and
 - (b) discuss at the meeting any matter with respect to which the member would have been entitled to submit a proposal,
- subject to those conditions and methods described in section 65 of the Act.

Quorum

- 5.19 For the purposes of section 63(1) of the Act, the number of eligible members present required for a quorum at an annual or special membership meeting shall be the lesser of:
- (a) 25 members or
 - (b) 10% of the membership entitled to vote at that meeting with a minimum of 10.
- 5.20 For the purposes of section 63(2) of the Act, the number of eligible members present to maintain a quorum at an annual or special membership meeting shall be the lesser of:
- (a) 20 members or
 - (b) 10% of the membership entitled to vote at that meeting with a minimum of 10.
- 5.21 Where a quorum is present at the opening of a general meeting of members, the members present may proceed with the business of the meeting, notwithstanding that a quorum is not present throughout the meeting.
- 5.22 Where a quorum is not present at the opening of a general meeting of members, the members present may adjourn the meeting to a fixed time and place but may not transact any other business.

Voting

- 5.23 No individual who is under the age of sixteen (16) years is entitled to vote.
- 5.24 Each member who is present at a general meeting is entitled to one (1) vote.
- 5.25 No member may vote by proxy, but a member who is not an individual may vote through a representative, where that member gives the Credit Union notice of the appointment of the representative at least forty-eight (48) hours before the meeting where the representative is to vote on behalf of the member.
- 5.26 No individual may act as representative for more than one (1) member.
- 5.27 The executor or administrator of an estate may vote on behalf of any membership held by that estate.
- 5.28 Where membership in the Credit Union is held jointly by two or more persons, each of the joint members is entitled to vote.

Method of Voting

- 5.29 Subject to the Act, voting at a meeting of members in relation to any issue before the members, shall be in the form and manner established by the Board from time to time, and may include show of hands, mail ballot, in branch ballot, telephone, electronic means or other communication facility. The form and manner of voting to be used at any meeting of members, or in relation to any issue before the members, shall be determined and approved by a resolution of the Board.
- 5.30 Subject to the method of voting established by the Board, any vote by show of hands shall be done by secret ballot where at least three (3) members entitled to vote at the meeting demand a secret ballot.

Special Meetings

- 5.31 The Board may call a special meeting of members at any time.
- 5.32 The directors shall, at the request of any member, post in a conspicuous place where it is likely to come to the attention of members a form of petition requesting that the directors call a special meeting pursuant to Article 5.31 of these bylaws and this section.
- 5.33 The directors shall call a special meeting of the members on receipt of a written request or petition specifying the purpose of the meeting from:
 - (a) in the case of the Credit Union having one thousand (1,000) or more members, the lesser of:

(i) five percent (5%) of the membership, and

(ii) five hundred (500) members,

but in no case less than one hundred (100) members;

(b) in the case of the Credit Union having less than one thousand (1,000) members, ten percent (10%) of the membership.

5.34 Subject to Article 5.35 of these bylaws, the directors shall call a special meeting within twenty (20) days of the day on which they receive a request pursuant to Article 5.31 of these bylaws and this section.

5.35 The directors may refuse to call a special meeting described in Article 5.33 where the proposed subject matter of the meeting:

(a) has been discussed at a general meeting in the six (6) months preceding the date of the request; or

(b) is one described in subsection 65(5) of the Act.

Meeting Called by Registrar and Quorum

5.36 Where:

(a) in the opinion of the Board it is impracticable to:

(i) call a general meeting of members in the manner in which meetings of members may be called; or

(ii) conduct a general meeting of members in the manner prescribed in the Act or these bylaws; or

(b) for any reason, in addition to those described in clause (a), that the Registrar considers appropriate, the Registrar, on the Registrar's own initiative, or on the application of a director or a member entitled to vote at the meeting may cause a general meeting to be called, held and conducted in any manner that the Registrar directs.

5.37 Without restricting the generality of Article 5.36 of these bylaws, the Registrar may order that the quorum required by the Act or these bylaws be varied or dispensed with at a general meeting called pursuant to this section.

5.38 A general meeting called pursuant to this section is deemed to be a valid meeting.

ARTICLE 6 – BOARD OF DIRECTORS

Number of Directors

6.01 The Board shall consist of 12 members.

Powers and Duties of Directors

6.02 Subject to the Act, the Credit Union's Memorandum of association and these bylaws, the Board shall:

- (a) exercise the powers of the Credit Union directly or indirectly through the employees and agents of the Credit Union;
- (b) direct the management of the business and affairs of the Credit Union;
- (c) authorize termination of membership and establish the form and manner in which all applications for membership are accepted. The Board may delegate to the Chief Executive Officer the authority to approve applications for membership;
- (d) establish the manner in which interest rates on loans, and deposits are determined;
- (e) declare such dividends and patronage allocations as these bylaws may authorize;
- (f) appoint an audit committee and any other committees it considers appropriate and delegate, by resolution, appropriate powers to these committees that considers necessary for the efficient conduct of the affairs and business of the Credit Union;
- (g) approve a loan policy for the Credit Union;
- (h) approve an investment policy, including disposition of property, and authorize investments on behalf of the Credit Union, approve all other policies deemed necessary for the effective operation of the Credit Union;
- (i) ensure effective internal control processes are in place for the Credit Union;
- (j) oversee the risk management program of the Credit Union;
- (k) ensure the Credit Union maintains adequate insurance and bonding coverage;
- (l) appoint signing authorities for the Credit Union;
- (m) elect officers of the Credit Union;

- (n) hire a Chief Executive Officer for the Credit Union;
- (o) perform such other duties as may be required by the Act, the Regulations and these bylaws, and to ensure the effective and efficient management of the Credit Union.

Eligibility

6.03 No person is eligible to be a director who:

- (a) is less than eighteen (18) years of age;
- (b) lacks capacity to make decisions respecting financial matters and has been found to lack capacity by a court of competent jurisdiction;
- (c) is not an individual;
- (d) is not a member of the Credit Union or has been a member for less than one year prior to director nominations.
- (e) is a duly appointed representative of a member that is a partnership, association, body corporate or public body;
- (f) has been convicted within the previous five (5) years of an offence that is of a kind that is related to the qualifications, functions or duties of a corporate director, including an offence involving fraud or an offence against the Act, unless a pardon has been granted or a record suspension has been ordered in respect of the offence under the *Criminal Records Act* (Canada);
- (g) has the status of a bankrupt;
- (h) without the written approval of the Board, has a loan with the Credit Union that is more than one (1) month in arrears;
- (i) has a loan with the Credit Union that is more than six (6) months in arrears; or
- (j) is any of the following:
 - (i) a director of another credit union;
 - (ii) a professional advisor to a credit union;
 - (iii) employed in the public service of the Province of Prince Edward Island or by a Provincial Agency or by a corporation, whose substantive duties are directly concerned with the business or affairs of credit unions or of the Corporation;

- (iv) is an employee of a credit union;
 - (v) is an employee of Atlantic Central; or
 - (vi) is an employee of the Corporation.
 - (k) is a former director of the Credit Union who has not completed at least one year of absence since serving three (3) full terms as per section 6.05 of these bylaws.
 - (l) is a former employee of the Credit Union whose employment ended less than five (5) years prior to director nominations.
 - (m) is an immediate family member, including parent, sibling, child, grandparent, grandchild, and spouse or common-law partner, of a current employee or Director.
 - (n) is an individual or owner of entities providing services to the Credit Union, or receiving payments or financial benefits beyond those associated with standard membership activities (such as interest or dividends from member accounts). This includes any direct financial relationship or significant business dealings with the organization that could compromise the Board's impartiality or create a perception of bias.
 - (o) is not ordinarily resident within PEI at the time of director nominations, their election or appointment, and throughout their term.
- 6.04 A director shall complete the director training program approved by the Corporation.

Term

- 6.05 Regular terms for directors shall be for periods of three (3) years, or until the election and qualifications of their successors.
- 6.06 Subject to Article 6.03 of these bylaws, a director is eligible for re-election but is not in any case eligible to serve as a director for more than nine (9) consecutive years.
- 6.07 The regular terms shall be so fixed at the beginning, or upon any increase or decrease in the number of directors, that approximately the same number of regular terms shall expire at each annual meeting.
- 6.08 The composition of the Board of Directors shall at all times represent an equal number of Directors from each of the four regions served by the Credit Union.
- 6.09 A director not elected for an expressly stated term ceases to hold office at the close of the first annual meeting of members following that director's election.

- 6.10 Notwithstanding anything contained in this section, if directors are not elected at a meeting of the members, the incumbent directors continue in office until their successors are elected.

Nominating Committee Composition

- 6.11 For the purpose of electing directors, the Credit Union shall appoint a nominating committee of not less than three (3) committee members which may include member representatives and directors. The Committee must have a minimum of one director who will serve as the Chair of the Committee. The Committee shall be appointed by the Board at least ninety (90) days prior to any membership meeting where elections are being held.
- 6.12 The nominating committee shall:
- (a) convene a meeting of its members at least forty five (45) days prior to any membership meeting where elections are being held;
 - (b) appoint from within its members a chairperson of the nominating committee;
 - (c) identify the number of positions for which elections are to be held;
 - (d) select from the membership qualified candidates for nomination, and require any nominee selected to submit a nomination form in accordance with these bylaws and approved by the nominating committee;
 - (e) the nominating committee shall make best efforts to recruit and encourage nominations from members who possess the necessary skill and experience valued by the Board and, where possible, that will retain the geographic and community representation as reflected in the incorporating Board;
 - (f) prior to accepting a candidate for nomination, the nominating committee must determine to their own satisfaction that the person to be nominated:
 - (i) is qualified to be elected pursuant to the Act and these bylaws;
 - (ii) has consented to the nomination; and
 - (iii) meets any other qualifications as required by the nominating committee.
 - (g) present, by the chairperson or their designate, the report of the nominating committee to the Board, which report shall:
 - (i) provide notification of all vacant positions for which elections are to be held; and
 - (ii) provide notification of all candidates being nominated by the nominating committee and the position they are being nominated for.

Extending Call for Nominations

- 6.13 A call for nominations for the position of director shall be posted in the office(s) of the Credit Union and communicated to members by any other means as determined by the Board.
- 6.14 A call for nominations shall include:
- (a) a description of the position of director;
 - (b) names and contact information for nominating committee members;
 - (c) a nomination form, or information on how to obtain one;
 - (d) notice of the requirement that nomination forms are to be accompanied with a brief biography of the nominee; and
 - (e) a list/mention of the accepted methods for delivering the nomination form and deadline for submission.
- 6.15 Nomination forms shall be completed in an approved form and signed by two (2) members in good standing and signed by the nominee declaring their eligibility to serve as a director in accordance with the Act and Article 6.03 of these bylaws.
- 6.16 A call for nominations shall be posted and open for acceptance for a minimum period of thirty (30) days prior to the closing of nominations. Nomination forms shall be submitted to and received by the nominating committee no later than forty (40) days prior to the date of any meeting of members where elections are being held.
- 6.17 Credit Union directors whose terms have expired and who wish to be re-elected will follow the same nomination procedures as above.
- 6.18 Following the close of nominations, the nominating committee shall confirm the number of eligible nominees. Where the number of nominees equals the number of vacancies available, or where there are insufficient nominees to fill the vacant positions of director, those duly nominated shall be declared elected by acclamation and term shall be determined by draw if there are different terms available.
- 6.19 Where the number of candidates nominated exceeds the number of positions to be elected, a list of nominees and their respective biographies shall be posted in the office(s) of the Credit Union and communicated to members by any other means as determined by the Board from time to time.

- 6.20 Where vacancies still exist following the close of nominations, an additional call for nominations shall be made by the chairperson at the meeting of members. If this call results in sufficient nominations to exceed the vacant positions such that an election is required, the method of election shall be by one (1) ballot at the meeting of members and the nominee(s) receiving the highest number of votes shall be declared elected.

Elections

- 6.21 For the purposes of conducting Board elections:
- (a) the nominating committee shall appoint a returning officer from staff, excluding executive management, who shall oversee the balloting procedures, including the distribution, collection and tally of all ballots;
 - (b) the returning officer may appoint poll captains from staff, excluding executive management, to assist in the selected balloting procedure;
 - (c) where practical, poll captains appointed pursuant to this section shall be individuals who are not eligible to vote; but in no instance, shall a person who is a candidate nominee be appointed;
 - (d) the method of election shall be by one (1) secret ballot per voting member;
 - (e) only individuals who obtain membership before the nomination period closes will be eligible to vote in the current year's election.
 - (f) if any method of voting approved by the Board of Directors is to conclude prior to the annual general meeting, it shall be conducted for a minimum of fifteen (15) days, and must conclude no less than two (2) business days prior to the date of the annual general meeting;
 - (g) the nominee(s) receiving the highest number of votes shall be declared elected;
 - (h) the returning officer shall report the results of an election to the chair, or in another manner as directed by the Board of Directors. The returning officer shall announce the results of the election at the member meeting in a manner determined by the Board of Directors.
 - (i) where a member votes for more than the number of positions to be elected on a ballot, the ballot is declared spoiled and is not to be counted;
 - (j) where the nominees are to be elected for various terms with one (1) ballot, the nominee(s) receiving the highest number of votes shall be declared elected for the longest term(s);

- (k) for the purposes of declaring nominees as elected in the event of a tie:
 - (i) if the position(s) of director(s) cannot be filled because two (2) or more nominees receive an equal number of votes, the meeting may, by resolution carried by a clear majority of those present, provide that a second ballot at the meeting of members may be cast. Only those nominees so tied for the position(s) shall be entered on the second ballot; and
 - (ii) in the event a tie remains after the second ballot is counted, the returning officer shall write the names of the nominees separately on blank sheets of paper of equal size and of the same colour and texture, and after folding them in a uniform manner so that the names are concealed, deposit them in a receptacle and direct some person to pick one of the sheets. The nominee(s) whose name(s) appears on the sheet(s) picked will become the director(s).

Resignations, Removals and Suspensions

- 6.22 A director of the Credit Union ceases to hold office when the director:
- (a) dies or resigns;
 - (b) is removed in accordance with Articles 6.24 and 6.25 of these bylaws;
 - (c) is no longer qualified pursuant to Articles 6.03 and 6.04 of these bylaws; or
 - (d) fails to provide a bond pursuant to section 46 of the Act.
- 6.23 A resignation of a director becomes effective at the later of:
- (a) the time a written resignation is sent to the Credit Union; or
 - (b) the time specified in the resignation.
- 6.24 The members of the Board may, by special resolution, remove any director or officer from office.
- 6.25 The Board may declare a Director's position as vacant if;
- (a) a director fails to attend two (2) consecutive regular meetings of the Board of Directors without reasonable cause or notification; or
 - (b) a director otherwise fails to perform any of the duties incumbent upon them as a Director.

- 6.26 The Board may, by special resolution, suspend another director if, in their opinion, a breach of policy by the suspended director does not justify immediate removal. The suspension may be lifted if the voting directors elect, by a similar majority, that the breach has been resolved.

Filling Vacancy

- 6.27 Where there is a vacancy on the Board and:
- (a) there is a quorum of directors, the remaining directors may:
 - (i) exercise all the powers of the directors;
 - (ii) fill the vacancy until the next annual meeting;
 - (b) there is not a quorum of directors, the remaining directors shall call a general meeting for electing members to fill any vacancies;
 - (c) there are no directors remaining, any ten (10) members may in writing appoint directors solely for the purpose of calling a general meeting to elect members to fill the vacant directorships.
- 6.28 Where an election of directors required in the Act, or these bylaws does not take place at the proper time, the directors then in office shall continue in office until their successors are elected.
- 6.29 Notwithstanding any other provisions of the Act, only the members of the Credit Union are entitled to elect its directors.

Notice of Change of Directors

- 6.30 Within thirty (30) days after a change is made in its directors, the Credit Union shall file with the Registrar a notice in any form that is acceptable to the Registrar, setting out the particulars of the change.

Meetings of Directors

- 6.31 The Board shall hold at least one (1) regular Board meeting each quarter in each fiscal year.
- 6.32 The chairperson of the Board:
- (a) may call a meeting of the Board at any time;

- (b) shall call a meeting of the Board within two (2) weeks of receiving a written request that a meeting be held from the Registrar, the Corporation or at least three (3) directors.
- 6.33 Where a meeting is called pursuant to Article 6.32(b) of these bylaws, it must be held within four (4) weeks of the date on which the chairperson of the Board received the written request.
- 6.34 Subject to Article 6.32 of these bylaws, the Board may meet at any place and determine any notice requirements for Board meetings that it considers appropriate.
- 6.35 A majority of the number of directors required to be elected constitutes a quorum.
- 6.36 Where all directors consent,
 - (a) a meeting of the Board or of a committee of the Board may be held by means of:
 - (i) a telephone system; or
 - (ii) a communications system other than telephone, that permits all persons participating in the meeting to hear and speak to each other; and
 - (b) a person so participating is deemed to be present at that meeting.

Resolution without Meeting

- 6.37 Unless the Act or these bylaws require a meeting, a resolution of the Board may be passed without a meeting where:
 - (a) all the directors consent to the resolution in writing; and
 - (b) the consent is filed with the minutes of the proceedings of the Board.

Minutes of the Board

- 6.38 The Board shall cause minutes to be kept of:
 - (a) all appointments of officers and committee members made by the Board;
 - (b) all the names of the directors present at each meeting of the Board; and
 - (c) all resolutions and proceedings at meetings of the members and the Board.

Appointing Committees

- 6.39 The Board may:
- (a) appoint any committee that it considers appropriate and appoint any member to such a committee; and
 - (b) by resolution, delegate to any committee any powers that it considers necessary for the efficient conduct of the affairs and business of the Credit Union.
- 6.40 A member of a committee of the Board holds office until:
- (a) the appointed term of the member expires;
 - (b) the member is removed by resolution of the Board; or
 - (c) the member ceases to be a member of the Credit Union.
- 6.41 A committee of the Board may exercise any powers of the Board that are delegated to it by resolution of the Board, subject to any restrictions contained in the resolution, only if a majority of the committee members are directors.
- 6.42 Notwithstanding Article 6.44 of these bylaws, no committee of the Board may:
- (a) fill a vacancy among the directors;
 - (b) declare dividends or interest on shares or a patronage allocation, dividend or payment;
 - (c) approve any financial statements of the Credit Union;
 - (d) submit to the members any question or matter requiring the approval of members;
 - (e) make decisions where the Act or these bylaws require a resolution passed by more than a majority of directors casting votes at a meeting of the Board;
 - (f) set the remuneration of the Chief Executive Officer or any other person appointed by the Board;
 - (g) appoint signing officers; and
 - (h) assume the Board's responsibility for ensuring that sound and prudent business practices are followed.
- 6.43 A committee of the Board shall:

- (a) fix its quorum at not less than a majority of its members;
 - (b) keep minutes of its proceedings; and
 - (c) submit to the Board, at each meeting of the Board, the minutes of the committee's proceedings during the period since the most recent meeting of the Board.
- 6.44 Upon recommendation from the respective committee, the Board of Directors may, by resolution, appoint external committee members to support the work of its committees.
- 6.45 External committee members shall:
- (a) not be considered directors or officers; and
 - (b) be subject to the governance framework established by the Board.

Audit Committee

- 6.46 The Board shall appoint an audit committee consisting of not less than three (3) members of the Credit Union who are not employees of the Credit Union and at least one (1) director of the Credit Union.
- 6.47 The audit committee shall be chaired by a committee member who is a director of the Credit Union.
- 6.48 The audit committee shall:
- (a) Review and make recommendations to the Board respecting
 - (i) the selection process of the auditor;
 - (ii) the appointment of the auditor; and
 - (iii) the terms of the auditor's engagement;
 - (b) meet with the auditor before an audit begins to review the scope and terms of engagement with the auditor;
 - (c) review and discuss the auditor's report, including the auditor's findings, any restrictions on the scope of the auditor's work and any issues that the auditor identified in performing the audit;
 - (d) review the audited financial statements of the Credit Union and any subsidiary before they are approved by the board under section 91(1) of the Act;

- (e) review and make recommendations to the board respecting
 - (i) recommendations and reports by the auditors;
 - (ii) any letters respecting management from the auditor; and
 - (iii) any response by the management of the credit union to letters respecting management from the auditors;
 - (f) review the organization and independence of the internal auditor of the Credit Union, including the internal auditor's goals, work plans and any problems that the internal auditor experiences in performing an audit;
 - (g) review any recommendations made by the internal auditor respecting the improvement of accounting and internal control practices and the response made by the management of the Credit Union to the recommendations;
 - (h) monitor adherence by the directors and officers of the Credit Union to the requirements of section 44 of the Act;
 - (i) review all reports on the affairs of the Credit Union made by the Corporation, or any report referred to the audit committee by the board and monitor the implementation of recommendations that the audit committee considers significant and report to the Board on the progress of the implementation; and
 - (j) review and develop policies of the Credit Union as directed by the Board and undertake such other duties as are delegated by the Board.
- 6.49 The audit committee shall report at least quarterly to the Board on all matters in Article 6.48 of these bylaws.
- 6.50 The audit committee shall ensure that a full and correct record of all proceedings of the audit committee is made and kept available for examination by the Corporation or any person authorized under the Act to examine the records of the Credit Union.

Remuneration of Directors and Committee Members

- 6.51 The directors and members of committees of the Board are entitled to any remuneration and reimbursement for expenses that the Board may determine.
- 6.52 On the request of a member, the Board shall disclose at the first annual meeting following the request the aggregate of any amounts paid pursuant to Article 6.51 of these bylaws, together with the amounts of any specific rates or daily allowances fixed by the Board.

ARTICLE 7 – OFFICERS

Appointment and Duties

- 7.01 The officers of the Credit Union shall be the president, the vice-president, the corporate secretary, and any other officers designated by the Board.
- 7.02 The president of the Board shall preside at all meetings of the Board and at meetings of the members. The president shall perform such other duties as customarily apparent to the office of president or as he/she may be directed to perform by the Board of Directors not inconsistent with the provisions of the law, the Act or these bylaws.
- 7.03 The president, or in the case of absence or inability to act, a vice-president or other individual designated by the president, shall act as chairperson of the Board, but in no event shall any individual who is not a director act as chairperson.
- 7.04 The corporate secretary of the Board of Directors shall prepare and maintain or cause to be prepared and maintained complete minutes of all meetings of members and of the Board of Directors. The corporate secretary shall give or cause to be given all notices of meetings of members as prescribed in the Act and shall perform such other duties as he/she may be directed to perform by the Board of Directors not inconsistent with the provisions of law, the Act, or these bylaws.
- 7.05 The Board of Directors may appoint an individual other than the corporate secretary to prepare complete minutes of all meetings of members and of the Board of Directors. This individual shall be referred to as the recording secretary.
- 7.06 The Board shall meet within thirty (30) days following the annual or special meeting of members where their election took place and they shall from their number elect a president, vice-president, corporate secretary and other officers as provided in Article 7.01 of these bylaws.
- 7.07 Subject to the Memorandum of association and these bylaws,
- (a) the Board may specify the duties of the officers and delegate to them powers to manage the business and affairs of the Credit Union, except powers to
 - (i) submit to the members any question or matter requiring the approval of the members;
 - (ii) fill a vacancy among the directors;
 - (iii) issue or redeem shares, except in the manner and on the terms authorized by the Board; or

- (iv) approve any financial statements referred to in section 90 of the Act.
- (b) a director may become an officer of the Credit Union and may also serve as a member of a committee; and
- (c) two or more offices of the Credit Union may be held by the same person.

ARTICLE 8 – DUTY OF CARE OF DIRECTORS AND OFFICERS

- 8.01 Directors and officers of the Credit Union in exercising their powers and discharging their duties shall:
- (a) act honestly and in good faith with a view to the best interests of the Credit Union;
 - (b) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances;
 - (c) avoid conflicts of interest;
 - (d) subject to the Act, another enactment, the Regulations and these bylaws, observe strict confidentiality respecting all records, accounts and transactions of members, and all matters pertaining to them; and
 - (e) subject to the Act, another enactment, the Regulations and these bylaws, observe strict confidentiality respecting all Board reports, records of meetings, related documents and all matters pertaining to them.
- 8.02 The provisions of a contract, the Memorandum of association, these bylaws or the circumstances of appointment do not relieve a director from
- (a) the duty to act in accordance with the Act and these bylaws; and
 - (b) liability that by virtue of a rule of law would otherwise attach to the director with respect to negligence, default, breach of duty or breach of trust of which the director may be guilty in relation to the Credit Union.

ARTICLE 9 – INDEMNIFICATION

- 9.01 Subject to Articles 9.02 and 9.03 of these bylaws, the Credit Union may indemnify:
- (a) a director or officer of the Credit Union;
 - (b) a former director or officer of the Credit Union;
 - (c) a person who acts or has acted at the request of the Credit Union as a director or officer of another body corporate;
 - (d) a member of any committee appointed by the Board; or
 - (e) a member of any committee elected by the membership, against costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by that person with respect to a civil, criminal or administrative action or proceeding to which that person is made a party by reason of acting in any capacity referred to in this section.
- 9.02 The Credit Union may indemnify a director, officer or other person only where that person:
- (a) acted honestly and in good faith with a view to the best interests of the Credit Union; and
 - (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, had reasonable grounds for believing that the conduct was lawful.
- 9.03 The Credit Union shall not indemnify a director, officer or other person mentioned in Article 9.01 of these bylaws with respect to an action by or on behalf of the Credit Union to obtain a judgment in its favour to which that person is made a party by reason of acting in any capacity referred to in this section, against costs, charges and expenses reasonably incurred by that person in connection with the action unless:
- (a) the indemnity has the approval of the court; and
 - (b) that person fulfils the conditions described in Article 9.02 of these bylaws.

ARTICLE 10 – CONFLICT OF INTEREST

Material interest – Related Persons

- 10.01 A director or an officer shall be deemed to have a material interest in a material contract in which any of the following persons is a part or in which any of them have a material interest:
- (a) a spouse of the director or officer;
 - (b) the parent, child, grandparent, grandchild or sibling of
 - (i) the director or officer, or
 - (ii) the spouse of the director or officer;
 - (c) the spouse of any person referred to in clause (b).

Material Interest – Other Factors

- 10.02 A director or officer shall be deemed to have a material interest in a material contract involving another person where the director or officer is:
- (a) a creditor of that person for a debt that is in excess of \$5,000;
 - (b) a guarantor of the debts of that person that are in excess of \$5,000;
 - (c) the owner or beneficial owner of not less than 20% of the issued shares of any class of shares of that person;
 - (d) a partner of that person; or
 - (e) a director or an officer of that person.

Interest in Material Contract

- 10.03 Where a director or officer of the Credit Union or an associate of that director or officer:
- (a) is a party to a material contract or proposed material contract with the Credit Union; or
 - (b) is a director or an officer of, or has a material interest in, a person who is party to a material contract or proposed material contract with the Credit Union,

the director or officer shall disclose in writing to the Credit Union, or request to have entered in the minutes of meetings of directors, the nature and extent of that interest.

- 10.04 In addition to disclosure requirements as stipulated in section 44 of the Act, a director of the credit union shall:
- (a) disclose to the Board any contracts, associations, employment, or interests which provide the potential or perceived potential of conflicts of interest; and
 - (b) upon disclosure, as in (a) above comply with the directions of the Board as it considers appropriate in the circumstances.
- 10.05 Where the disclosure required in Article 10.03 of these bylaws is to be made by a director, the director shall make the disclosure:
- (a) at the meeting at which a proposed contract is first considered;
 - (b) where the director is not interested in a proposed contract at the meeting mentioned in clause (a), at the first meeting after the director acquires an interest;
 - (c) where the director becomes interested after a contract is made, at the first meeting after the director acquires an interest; or
 - (d) where the director has an interest in a contract before becoming a director, at the first meeting after the director becomes a director.
- 10.06 Where the disclosure required in Article 10.03 of these bylaws is to be made by an officer who is not a director, the officer shall make the disclosure:
- (a) immediately after the officer becomes aware that the contract or proposed contract is to be considered or has been considered at a meeting of directors;
 - (b) where the officer acquires an interest after a contract is made, immediately after the officer acquires the interest; or
 - (c) where the officer has an interest in a contract before becoming an officer, immediately after the officer becomes an officer.
- 10.07 Notwithstanding Articles 10.05 and 10.06 of these bylaws, where a material contract or proposed material contract is one that in the ordinary course of the Credit Union's business would not require approval by the directors or members, a director or officer shall disclose in writing to the Credit Union or request to have entered in the minutes of meetings of directors the nature and extent of the director's interest after the director becomes aware of the contract or proposed contract.

- 10.08 For the purposes of this section, a general notice to the directors by a director or officer declaring that the director or officer is to be regarded as interested in any contract made with a person is a sufficient declaration of interest in relation to any contract made with that person.
- 10.09 No director who has or whose associate has an interest in a material contract or proposed material contract shall vote or be present while the vote is being taken regarding the authorization of the contract.
- 10.10 Where a director or officer of the Credit Union fails to disclose an interest in a material contract in accordance with this section, a court may, on the application of the Credit Union or a member of the Credit Union, set aside the contract on any terms that the court considers appropriate.

ARTICLE 11 – AUDITOR

Appointment

- 11.01 The members of the Credit Union shall, by ordinary resolution, at the annual meeting appoint an auditor until the close of the next annual meeting.
- 11.02 Notwithstanding Article 11.01 of these bylaws, where an auditor is not appointed at a meeting of members, the incumbent auditor continues in office until a successor is appointed.

Filling Vacancy

- 11.03 Where the office of the auditor is vacated, the Board shall immediately appoint an auditor to fill the vacancy.
- 11.04 An auditor appointed to fill the vacancy holds office until the close of the next annual meeting.

ARTICLE 12 – LOANS AND DEPOSITS

- 12.01 For the purposes of section 83(2) of the Act, this credit union defines any person connected with a director, committee member, or employee of a credit union for the purpose of obtaining credit as follows:
- (a) Spouse;
 - (b) corporation where the director, committee member, or employee is a principal shareholder;
 - (c) partnership where the director, committee member, or employee is a partner;
 - (d) corporation or other business where the director, committee member or employee is Chief Executive Officer;
 - (e) any borrower of the Credit Union where the director, committee member or employee has a liability whether direct or contingent, including but not limited to acting as a guarantor, co-signer, or providing security for the borrower's obligations;
 - (f) non-profit organization where the director, committee member or employee is a member of the executive or is the Chief Executive Officer; or
 - (g) co-operatives where the director, committee member or employee is a member of the executive or is the Chief Executive Officer.
- 12.02 For the purposes of section 88(2) of the Act and the PEI Loan Policy enacted by section 87 of the Act, the Credit Union shall receive deposits in a manner and form and on any conditions that are stipulated in operating policies of the Credit Union and/or generally accepted deposit taking procedures

ARTICLE 13 – LIABILITY INSURANCE AND BONDING INSURANCE

- 13.01 For the purposes of section 38 of the Act, and subject to Article 13.03 of these bylaws, the Credit Union shall purchase and maintain insurance for the benefit of a director or an officer against liability, incurred by that person while serving the Credit Union or a subsidiary of the Credit Union as a director or officer.
- 13.02 The Credit Union shall, by resolution of the Board, purchase and maintain insurance for the benefit of an employee or committee member against a liability, incurred by that person while serving the Credit Union or a subsidiary of the Credit Union as an employee or committee member, where such employee or committee member is in a position of authority or decision making and may be subject to such liability.
- 13.03 Where, as a result of availability, cost or other factors, it becomes impractical to provide such coverage as stipulated in Articles 13.01 and Articles 13.02 of these bylaws, the Board may, by resolution of the Board, dispense or terminate such coverage.
- 13.04 For the purposes of section 46 of the Act, the Credit Union shall obtain a bonding contract from an insurance carrier acceptable to the Corporation.

ARTICLE 14 – NOTICE

Notice

- 14.01 In this section, “last known address” means:
- (a) in the case of a member or shareholder, that person’s latest address as shown in the records of the Credit Union;
 - (b) in the case of a director, that director’s latest address as shown in the records of the Credit Union, the memorandum of association or the last notice filed pursuant to section 28 of the Act.
- 14.02 Any notice or document required by the Act or the Regulations to be given or served is to be served personally or mailed by registered mail to the last known address of the person being served.

Deemed Receipt

- 14.03 A document served by registered mail is deemed to have been received on the seventh (7th) day following the day of its mailing unless the person to whom it was mailed establishes that, through no fault on the part of that person, they did not receive the document or that they received it at a later date.
- 14.04 A document served by email is deemed to have been received immediately.

ARTICLE 15 – SEAL

- 15.01 The Board may by resolution adopt a seal for the Credit Union, which seal shall contain the full name of the Credit Union in legible characters.
- 15.02 No contract entered into by the Credit Union is invalid by reason only that the Credit Union's seal is not affixed to it.



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MEMBERSHIP & Information

CUDIC

CREDIT UNION
DEPOSIT INSURANCE
CORPORATION



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

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

- Membership is limited to Credit Unions incorporated under the laws of Prince Edward Island. All Island Credit Unions are required to be members of CUDIC.
- The maximum deposit insurance is \$250,000 per person in each Credit Union. Where a Credit Union operates a branch office, deposits are not insured separately in such branch offices.
- CUDIC insures 100% of insurable deposits held in Registered Retirement Savings Plans (RRSPs), Registered Retirement Income Funds (RRIFs), Registered Education Savings Plans (RESPs), Registered Disability Savings Plans (RDSPs), Tax-Free Savings Accounts (TFSA), and First Home Savings Accounts (FHSA). These are separately insured from other deposits a person may have with the same Credit Union.
- Deposits in each Credit Union are separate and distinct and the limits apply to each Credit Union separately. Eligible deposits in one Credit Union do not affect the limits for eligible deposits in another Credit Union.
- A depositor may be an individual, an association of individuals, a corporation, an association of corporations or a government.
- Insurable deposits include Canadian currency savings and chequing accounts, foreign currency savings accounts and chequing accounts, membership share accounts, Canadian and foreign term deposits, and drafts issued by the Credit Union.
- Separate insurance, to the \$250,000 maximum, applies to joint accounts and trust deposits.
- Credit Union Deposit Insurance Corporation (CUDIC) does not insure all deposits and investments offered by the Credit Union.
- CUDIC does not insure debentures issued by a Credit Union, bonds or debentures issued by government or corporations, treasury bills and investments in mortgages, stocks, and mutual funds.

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

63 FITZROY STREET
charlottetown, PE
C1A 1R4

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



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