

2023 ANNUAL REPORT

ANNUAL GENERAL MEETING

APRIL 26, 2024



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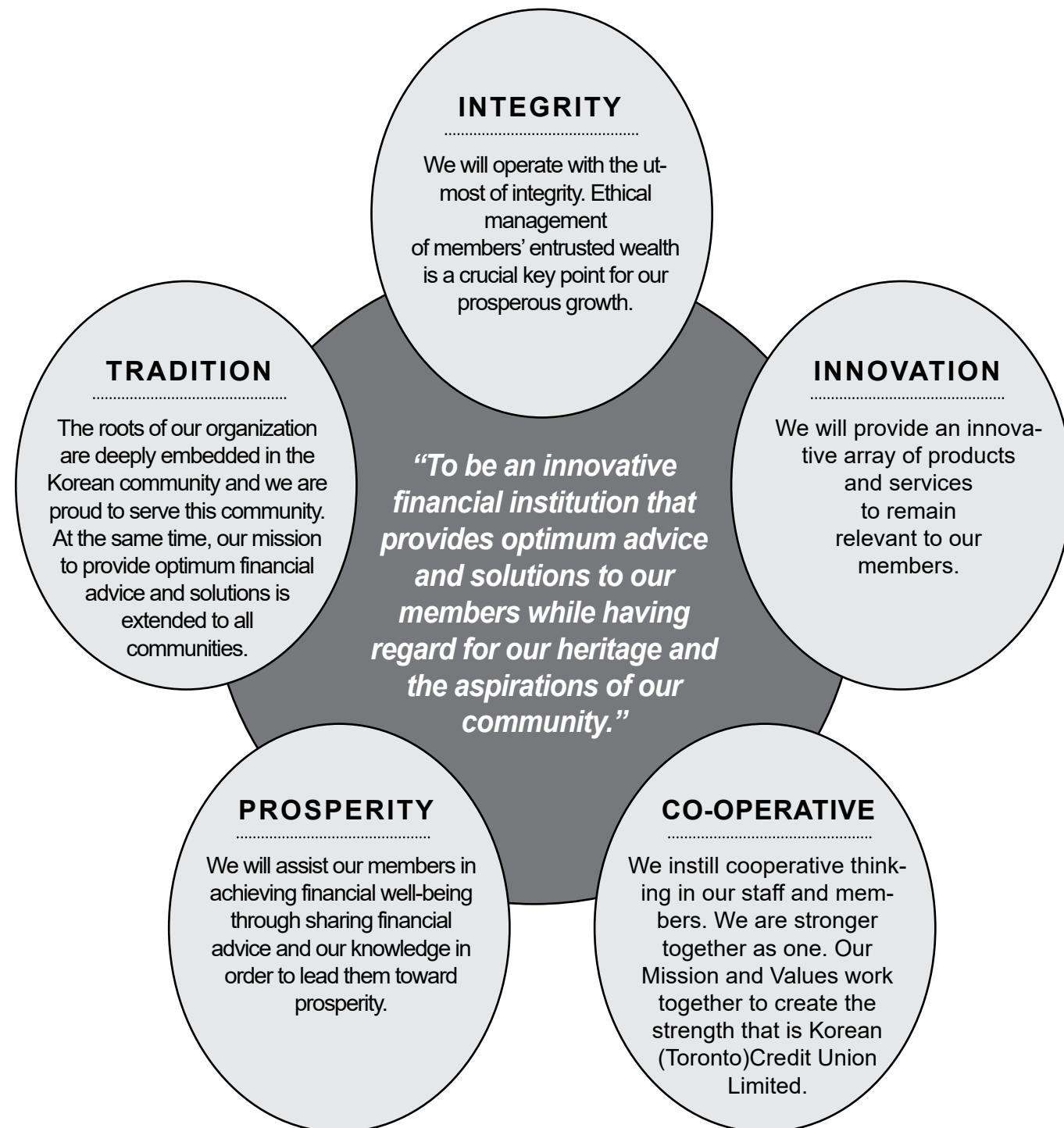


info@koreancu.com



THE MISSION STATEMENT

The Values are:



2023 ANNUAL REPORT

Annual General Meeting

April 26, 2024





NOTICE OF THE 47TH ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Korean (Toronto) Credit Union Limited will be held on Friday, April 26, 2024, at 1:00 P.M. at 180 Steeles Ave. West Unit 3, Thornhill ON L4J 2L1.

Agenda

1. Call to Order
2. Report on Registration
3. Adoption of Agenda
4. Approval of Minutes of Previous Year
5. Report from the Board and Management
6. Report of the External Auditor
7. Approval of Financial Report
8. Loan Report
9. Report of the Audit Committee
10. Appointment of External Auditor for FY 2024
11. New Business
 - A. Membership shares increase
 - B. Election of Directors
 - C. Other
12. Adjournment

Hwa Young Jin
Secretary



MEMBERS OF THE BOARD OF DIRECTORS & STAFF

Board of Directors

Chair	Mr. Steve Yu*
Vice-Chair	Mr. Byung Kap Lee
Secretary	Mr. Hwa Young Jin
Director	Mr. Francis Kim
Director	Mr. Sang Hoon Lee
Director	Mr. Youngsam Park

** Term of office expires on April 26, 2024*

Staff

CEO	Ms. Sojin Park
Accounting Officer	Ms. Monica Lee
Compliance Officer	Ms. Jenny Baek
Member Service Rep.	Ms. Helen Shin
Loan Processing	Mr. Gilbert Lee
Member Service Rep.	Ms. Stella Lee

Board of Attendance

DIRECTOR	POSITION	BOARD MEETING	AUDIT COMMITTEE MEETING
Steve Yu	Chair of the Board	7/7	-
Byung Kap Lee	Vice Chair	6/7	-
Hwa Young Jin	Secretary	7/7	-
Francis Kim	Chair of the Audit Committee	6/7	6/6
Sang Hoon Lee	Director	5/7	6/6
Youngsam Park	Director	4/7	6/6

Location

180 Steeles Avenue West, Unit 3, Thornhill, ON. L4J 2L1
Tel. 905-889-2703 **Fax** 905-889-9995
E-mail info@koreancu.com **Website** www.Koreancu.com



MINUTES OF THE 46TH ANNUAL GENERAL MEETING

- **Date:** Friday, April 21, 2023, at 1:00 P.M.
- **Chair:** Mr. Steve Yu
- **Venue:** 180 Steeles Ave. W. #3, Thornhill ON L4J 2L1
- **Members registered:** 29 members (Quorum 20)

1~2. Call to Order

With 13 members having signed the proxy voting form and 16 members present, Mr. Steve Yu, Chair of the Board of Directors, declared the meeting properly constituted and called it to order.

3. Adoption of Agenda

Mr. Steve Yu tabled the agenda contained in the Notice of Meeting. On a motion duly made by Mr. Byung Kap Lee, seconded by Mr. Sanghoon Lee, and unanimously carried, it was resolved to approve the agenda as presented.

4. Approval of Minutes of Previous Annual General Meeting

Mr. Steve Yu tabled for adoption the Minutes of the Korean (Toronto) Credit Union's AGM held on April 22, 2022, which had been previously circulated as presented. The motion was moved by Mr. Steve Yu and seconded by Mr. Francis Kim. It was resolved to approve the Minutes of the Last Annual General Meeting as presented, and the motion carried unanimously.

5. Report from the Board and the Management

Mr. Steve Yu presented the Report of the Board, a copy of which is appended to form part of these minutes. Members accepted the report with applause.

6. Approval of Financial Report from the Management

The CEO presented the Audited Annual Financial Statement, which is contained in the 2022 Annual Report, to the members. The report was unanimously accepted by the members.

7. External Auditor's Report

At the AGM, Ms. Natalie Lee, external auditor, from LEE CAPC presented the audited financial statements for FY 2022 along with the Independent Auditor's report. The motion, made by Mr. Sang Hoon Lee and seconded by Mr. Hyung Lark Kim, was unanimously carried.

8. Loan Report

The CEO presented the Loan Report, which included details on lending activities and delinquent loans as reported in the 2022 Annual Report. The report was unanimously accepted by the members.

9. Report of Audit Committee

Mr. Francis Kim, Chair of the Audit Committee, presented the activities of the Audit Committee as detailed in the 2021 Annual Report. The report was unanimously accepted by the members.

10. Appointment of External Auditor for FY 2023

Upon the motion by Mr. Hwa Young Jin and seconded by Mr. Sang Hoon Lee, LEE Chartered Accountant Professional Corporation was appointed as the external auditors for FY 2023.

The motion was carried unanimously.

11. New Business

• Election/Resignation of Directors

The terms of Mr. Byung Kap Lee and Mr. Hwa Young Jin as directors terminated in April 2023. Both candidates delivered short speeches as they were re-elected as directors for a three-year term, expiring in 2026. Additionally, Mr. Hwa Young Jin was re-elected as Secretary. With the Board's approval, the Credit Union now has a total of six directors.

The motion was moved by Mr. Gilbert Lee and seconded by Ms. Helen Shin, and it was unanimously carried.

• Credit Union By-law amendment

- Article 2.01 Bond of Association - Subject to the Act, any Authority rule or any applicable law, membership in the Credit Union shall be open to all persons.
- Article 4.01 Number of Directors and Quorum - The board of the Credit Union shall not have less than five directors or more than seventeen directors. The quorum for the transaction of business at any meeting of the Board unless the Authority rules provide otherwise.

• Other

The Credit Union's name in Korean '한인신용조합' (Hanin shinyong Johap) has been changed to '토론토신협' (Toronto shinhyeb). The legal name in English has not been changed.

The motion was moved by Ms. Youn Hee Baek and seconded by Mr. Hyung Lark Kim, and the motion was carried unanimously.

12. Adjournment

On behalf of the Board of Directors, Mr. Steve Yu expressed appreciation for all the members attending the meeting and acknowledged the dedication of the staff in completing the year's business.

The meeting was adjourned. The motion to adjourn was moved by Mr. Byung Kap Lee and seconded by Mrs. Eunhee Chun.



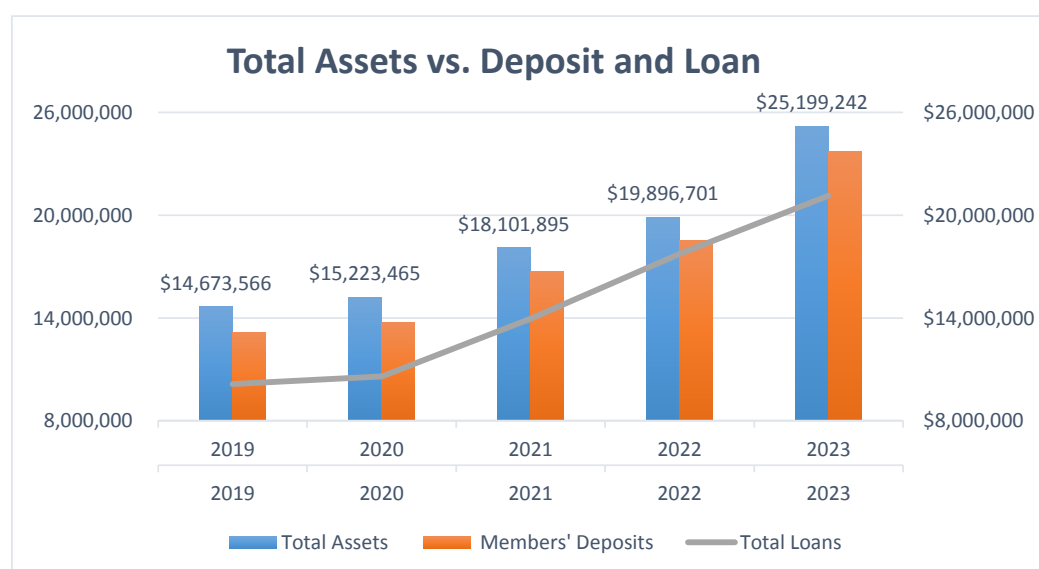
REPORT FROM THE BOARD AND MANAGEMENT

Dear valued members,

It is my pleasure to present the Board report for 2023, a year marked by remarkable financial resilience, engaged employees, and unwavering confidence from our members at our Credit Union. Despite the persistent economic uncertainties resulting from the ongoing impact of the Covid-19 pandemic, we remained steadfast in our commitment to delivering excellence in service and expanded our offerings to meet the evolving needs of our members.

Throughout the year, we vigilantly monitored the economic landscape, providing informed guidance to our members to navigate through uncertainty. Our proactive efforts resulted in remarkable growth in total assets, loans, and members' deposits, which had previously been stagnant for the past few years. Reflecting on 2023, we attribute our success to our meticulous attention to detail and steadfast commitment to our values. The following section outlines these in greater detail:

	Total Assets	Members' Deposits	Total Loans	Net income	Comprehensive income
2019	\$14,673,566	\$13,169,712	\$10,133,062	\$35,482	N/A
2020	\$15,223,465	\$13,737,043	\$10,578,601	\$17,782	N/A
2021	\$18,101,895	\$16,746,246	\$13,962,616	\$110,726	\$106,267
2022	\$19,896,701	\$18,521,436	\$17,746,068	\$125,784	\$96,682
2023	\$25,199,242	\$23,715,608	\$21,150,411	\$130,249	\$149,441



ASSET

Our total assets increased by approximately \$5.3 million compared to the previous year, reaching over \$25.2 million in 2023. This growth reflects the successful performance of our 2023 budget and business plan. The primary drivers of this increase were the growth in Members' Loans and Members' Deposits.

Management anticipates further growth, with total assets expected to exceed \$30 million in the 2024 budget.

MEMBERS' LOAN AND DEPOSIT

Both our deposit and loan portfolios have experienced significant growth this year.

Our loan portfolio had an outstanding year, increasing by \$3.4 million compared to the previous year, with most loans being fully secured mortgage loans for residential property purchase and refinancing. We have diligently managed all types of loans, from initial document review to final repayment, with thoroughness and prudence, maintaining a delinquency rate of zero since 2015.

Our total member deposits also saw significant growth this year, reaching \$23.7 million compared to \$18.5 million previously. The primary driver of this increase was the growth in both non-registered and registered Term Deposits. Non-registered Term Deposits increased by \$3.5 million, resulting in a total balance of \$15.8 million by the end of 2023. Registered Term Deposits, including RRSP and TFSA, increased by \$1 million, reaching a total balance of \$2.9 million by the end of 2023.

We will persist in our efforts to maximize the gross operating margin and maintain a balance between interest expense and income, despite the challenges posed by the ongoing rate changes throughout the year.

CAPITAL RATIO

Our Credit Union's Risk Weighted Capital Ratio stood at 11.12%, surpassing the minimum requirement of 8% and the supervisory capital ratio of 10.5% set by the Financial Services Regulatory Authority of Ontario (FSRA). Additionally, our leverage ratio reached 4.65%, exceeding both the minimum requirement of 3% according to FSRA guidance and 4.5% Board limit policy.

We are continuously monitoring material factors that could adversely affect our capital ratios and actively pursuing new and innovative approaches to strengthen and stabilize our capital position.

As we move forward into 2024, we remain dedicated to upholding the highest standards of service excellence and meeting the evolving needs of our members. We are grateful for your continued trust and confidence in our Credit Union

Mr. Steve Yu
Chair, Board of Directors

Ms. Sojin Park
Chief Executive Officer



AUDITED FINANCIAL STATEMENT

	2023	2022
Assets		
Cash and cash equivalents (Note 3)	\$ 2,502,834	\$ 566,621
Investments (Note 4)	1,095,180	1,047,157
Loans to members (Note 5, 6)	21,150,411	17,746,068
Property and equipment (Note 7)	173,271	192,794
Right of use asset (Note 7)	272,919	320,371
Other assets (Note 8)	4,320	16,450
Deferred tax asset	-	7,240
Income tax refund receivable	307	-
Total Assets	\$ 25,199,242	\$ 19,896,701
Liabilities		
Accounts payable (Note 11)	\$ 12,914	\$ 9,747
Members' deposits (Note 9)	23,715,608	18,521,436
Lease liability (Note 19)	301,342	348,676
Deferred tax liability	1,727	-
Income tax payable	-	13,134
Total Liabilities	\$ 24,031,591	\$ 18,892,993
Members' Equity		
Subordinated notes shares (Note 12)	\$ 175,000	\$ 175,000
Members' shares (Note 12)	732,196	717,694
Retained earnings	267,897	137,648
Accumulated other comprehensive income	(7,442)	(26,634)
Total Members' Equity	\$ 1,167,651	\$ 1,003,708
	\$ 25,199,242	\$ 19,896,701

See the accompanying notes to financial statements.

Approved on behalf of the Board

Steve Yu

Chair of the Board

Hwayoung Jin

Secretary

Korean (Toronto) Credit Union Limited Statement of Income and Comprehensive Income For The Year Ended December 31, 2023

	2023	2022
Interest Revenue		
Interest on consumer loans	\$ 885,338	\$ 457,606
Interest on mortgage loans	303,053	218,825
Interest on commercial loans	121,589	74,310
Interest on investments	149,946	56,010
	1,459,926	806,752
Interest And Loan Related Expenses		
Interest on members' deposits	895,493	312,167
Financial Margin	564,433	494,585
Other Income (Note 13)	197,716	208,858
Operating Expenses		
Employee salaries and benefits (Note 22)	310,312	254,533
General and administrative cost (Note 14)	165,557	172,253
Amortization of property and equipment (Note 7)	48,929	41,575
Amortization of right of use asset (Note 7)	47,452	48,481
Insurance (Note 20)	39,396	40,350
Allowance for losses	428	4,233
Total Non-Interest Expenses	612,074	561,425
Net Income (Loss) Before Taxes	150,075	142,018
Provision for (Recovery of) income taxes (Note 10)	19,826	16,232
Net Income	\$ 130,249	\$ 125,786
Other Comprehensive Income/(Loss)		
Unrealized gains/(losses)	19,192	(29,104)
Other Comprehensive Income/(Loss)	149,441	96,682
Comprehensive Income (Loss)	\$ 149,441	\$ 96,682

See the accompanying notes to financial statements.

Korean (Toronto) Credit Union Limited
Statement of Changes In Members' Equity
For The Year Ended December 31, 2023

	Subordinated Notes Payable	Accumulated Other Comprehensive Income	Members' Shares	Retained Earnings (Deficit)	Total
Balance On January 01, 2022	\$ 175,000	\$ 2,470	\$ 747,582	\$ 11,864	\$ 936,917
Net income (Loss)	-	-	-	125,784	125,784
Issuance of member shares (net)	-	-	(29,887)	-	(29,887)
Change in unrealized gains/losses on investments	-	(29,104)	-	-	(29,104)
Balance December 31, 2022	\$ 175,000	\$ (26,634)	\$ 717,694	\$ 137,648	\$ 1,003,709
Net income (Loss)	-	-	-	130,249	130,249
Issuance of member shares (net)	-	-	14,501	-	14,501
Change in unrealized gains/losses on investments	-	19,192	-	-	19,192
Balance December 31, 2023	\$ 175,000	\$ (7,442)	\$ 732,196	\$ 267,897	\$ 1,167,652

See accompanying notes to financial statements.

Korean (Toronto) Credit Union Limited
Statement of Cash Flows
For The Year Ended December 31, 2023

	2023	2022
Operating Activities		
Total Comprehensive Income	\$ 158,410	\$ 96,682
Add back non-cash items:		
Amortization of property and equipment	48,929	41,575
Amortization of right of use asset	47,452	48,481
Allowance for bad debt	428	4,233
Provision for income tax	10,858	-
Unrealized gain from investment	(19,192)	(29,104)
Net difference of income tax & deferred tax	(24,298)	3,751
	<u>222,587</u>	<u>165,618</u>
Change in operating assets and liabilities		
Other operating assets	12,130	(5,809)
Other operating liabilities	3,167	7,359
Loans to members	(3,404,771)	(3,783,614)
Members' deposits	5,194,172	1,775,190
Repayment of lease liability	(47,334)	(52,113)
	<u>1,757,364</u>	<u>(2,058,987)</u>
	<u>1,979,951</u>	<u>(1,893,370)</u>
Investing Activities		
Net change in investments	(28,833)	289,594
Purchase of tangible and intangible assets	(29,407)	(17,344)
	<u>(58,240)</u>	<u>272,250</u>
Financing Activities		
Issuance of Membership shares	144,281	28,177
Redemption of Preferred Share "B"	(1,250)	-
Redemption of Share "C"	(27,000)	-
Redemption of Share "D"	(45,500)	-
Redemption of Dormant Shares	(56,030)	(58,065)
	<u>14,501</u>	<u>(29,888)</u>
Net Increase (Decrease) In Cash	<u>1,936,213</u>	<u>(1,651,008)</u>
Cash, Beginning of year	<u>566,621</u>	<u>2,217,628</u>
Cash, End of year (Note 3)	<u>2,502,834</u>	<u>566,621</u>

See accompanying notes to financial statements.



INDEPENDENT AUDITOR'S REPORT

To the Members of Korean Toronto Credit Union Limited,

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Korean Toronto Credit Union Limited (the "Credit Union"), which comprise of the statement of financial position as of December 31, 2023, and the statement of comprehensive income, the statement of changes in Member's equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Credit Union in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our 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 the 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 Responsibility 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 considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to the 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.

Lee CPA

Chartered Professional Accountant, Licensed Public Accountant
March 14, 2024
Toronto, Ontario
Canada



7191 Yonge St. Suite 610, Thornhill, Ontario, L3T 0C4
T: 905-707-0136 F: 905-889-9612



LOAN REPORT

Lending Activities

(from January 1, 2023 to December 31, 2023)

Classification	Number of Application		Declined		Approved		Amount Approved	
	2022	2023	2022	2023	2022	2023	2022	2023
Personal Loans	15	27	1	3	14	24	\$ 185,000	\$ 404,842
Residential Mortgages	5	5	0	0	5	5	\$ 1,814,000	\$ 1,179,000
Commercial Loan	4	2	0	0	4	2	\$ 905,000	\$ 268,000
Subtotal	24	34	1	3	23	31	\$ 2,904,000	\$ 1,851,842
Line of Credit (including HELOC)	28	28	7	15	21	13	\$ 4,962,454	\$ 4,334,000
Total	52	62	8	18	44	44	\$ 7,866,454	\$ 6,185,842

The number of the loan application has been increased by 19% compared to the last year. The approval rate of loan application has been decreased from 85% to 71% due to the Bank of Canada's increased policy interest rate. The total of advanced loan in 2023 was \$6.18 million and the total amount of loan discharged in 2023 was \$2.75 million. As a result, the total amount of loans increased by \$3.4 million from \$17 million, exceeding \$21 million in 2023.

The number and amount of delinquent loans were zero for nine consecutive years.

We will strive to manage thoroughly from the loan application evaluation to the final loan repayment.

Gilbert Lee / Loan Processing



REPORT OF THE AUDIT COMMITTEE

Pursuant to section 104 of the Credit Unions and Caisses Populaires Act 2020 and section 35.1 of Ontario Regulation 105/22, the Board of Directors appointed a minimum of three (3) directors to the Audit Committee, a sub-committee of the board.

The Audit Committee met quarterly to fulfill their responsibilities outlined in the Act, Regulation, and the credit union's policies and procedures. The following duties were performed by the Audit Committee and reported to the Board during 2023.

- FY 2022 Audited Financial Statements and Management Letter provided by LEE CAPC
- Internal Auditor's Engagement letter/Audit plan/Proposal/Reports
- External Auditor's Engagement letter/Audit plan
- Updated Risk Management Policy
- The Board minutes.
- Updated Disaster Recovery Plan
- Internal/External auditors performance evaluation

The Audit Committee reviews the internal and external documents and materials and, when necessary, provides opinions and recommendations to Board of Directors.

The Committee is pleased to report that all staff members have diligently worked towards achieving the Credit Union's business goals, ensuring compliance with the Credit Unions Act and regulations, FSRA guidelines, KTCU By-law, and policies.

Respectively submitted,

Francis Kim
Chair of the Audit Committee





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