Financial Statements of

CCMBC INVESTMENTS LTD.

And Independent Auditor’s Report thereon

Year ended December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of CCMBC Investments Ltd.

Opinion

We have audited the financial statements of CCMBC Investments Ltd. (the "Entity"), which comprise the statement of financial position as at December 31, 2023, the statements of comprehensive income, equity and cash flows for the year then ended, and notes to the financial statements, comprising a summary of material accounting policy information (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 the 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 Entity'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 Entity'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 Entity 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.

- 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.

KPMG LLP

Chartered Professional Accountants

Winnipeg, Canada

June 3, 2024

CCMBC INVESTMENTS LTD.

Statement of Financial Position

As at December 31, 2023, with comparative information for 2022

	Note	2023	2022
Assets			
Cash		$ 4,514,740	$ 2,466,414
Income taxes receivable		122,452	–
Prepaid expenses		11,059	10,566
Other investments	5	62,256,278	58,003,784
Mortgage investments, net	4	58,830,626	63,342,791
Deferred tax assets	11	94,601	136,006
Total assets		$ 125,829,756	$ 123,959,561
Liabilities and Equity			
Accounts payable and accrued liabilities		$ 455,722	$ 411,589
Income taxes payable		–	67,987
Promissory notes	6	122,494,760	120,947,139
Preferred shares	7	613,500	630,500
Total liabilities		123,563,982	122,057,215
Equity		2,265,774	1,902,346
Total liabilities and equity		$ 125,829,756	$ 123,959,561

The accompanying notes form an integral part of these financial statements.

On behalf of the Board:

______________________ Director ______________________ Director

CCMBC INVESTMENTS LTD.

Statement of Comprehensive Income

Year ended December 31, 2023, with comparative information for 2022

	Note	2023	2022
Investment income:			
Mortgage interest	4	$ 4,919,378	$ 3,699,151
Income from other investments		3,726,970	3,384,314
Other interest income		216,569	65,390
Net realized gains (losses) on sale of other investments		(194,718)	13,796
Net unrealized gains (losses) of other investments		211,584	(413,892)
		8,879,783	6,748,759
Expenses:			
Interest on promissory notes	6	6,712,508	3,062,504
Interest on preferred shares	7	6,280	6,499
Management fees	9, 10	530,000	500,000
Investment management fees	9	690,156	575,253
General and administrative		305,212	287,282
Provision for (recovery of) credit losses	4	(227,899)	649,467
Donation to related party	10	380,000	2,290,000
		8,396,257	7,371,005
Net income before other income (expenses)		483,526	(622,246)
Other income (expenses):			
Gain on POCI mortgage investment	4	–	1,542,108
Net income before taxes		483,526	919,862
Income taxes:			
Current	11	78,693	196,354
Deferred	11	41,405	26,473
		120,098	222,827
Net comprehensive income		$ 363,428	$ 697,035

The accompanying notes form an integral part of these financial statements.

CCMBC INVESTMENTS LTD.

Statement of Equity

Year ended December 31, 2023, with comparative information for 2022

	Note		Common share	Retained earnings	Total equity
Balance, beginning of year	8	$	100	$ 1,902,246	$ 1,902,346
Net comprehensive income for the year			–	363,428	363,428
December 31, 2023		$	100	$ 2,265,674	$ 2,265,774

	Note		Common share	Retained earnings	Total equity
Balance, beginning of year	8	$	100	$ 1,205,211	$ 1,205,311
Net comprehensive income for the year			–	697,035	697,035
December 31, 2022		$	100	$ 1,902,246	$ 1,902,346

The accompanying notes form an integral part of these financial statements.

CCMBC INVESTMENTS LTD.

Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	Note	2023	2022
Cash flows from (used in) operating activities:			
Net comprehensive income		$ 363,428	$ 697,035
Adjustments for:			
Net realized losses (gains) on sale of other investments		194,718	(13,796)
Net unrealized losses (gains) of other investments		(211,584)	413,892
Amortization of transaction costs	6	158,703	155,985
Provision for (recovery of) credit losses	4	(227,899)	649,467
Gain on POCI mortgage investment	4	–	(1,542,108)
Income taxes	11	78,693	196,354
Deferred taxes	11	41,405	26,473
Mortgage interest	4	(4,919,378)	(3,699,151)
Other interest income		(216,569)	(65,390)
Interest on promissory notes	6	6,553,805	2,906,519
Interest on preferred shares	7	6,280	6,499
Change in non-cash operating items:			
Prepaid expenses		(493)	(1,203)
Accounts payable and accrued liabilities		44,133	69,143
Funding of mortgage investments		(9,673,006)	(3,890,484)
Mortgage repayments		14,573,536	13,717,869
Purchase of other investments		(25,385,842)	(6,426,897)
Proceeds from sale of other investments		21,150,214	1,042,582
Mortgage interest received		4,758,912	3,320,515
Other interest income received		216,569	65,390
Interest paid on promissory notes	6	(256,524)	(77,657)
Interest paid on preferred shares	7	(269)	(249)
Income tax paid (recovered)		(269,132)	18,540
		6,979,700	7,569,328
Cash flows from (used in) financing activities:			
Proceeds on issuance of promissory notes	6	14,894,008	8,147,587
Repayment of promissory notes	6	(19,815,382)	(16,046,711)
Proceeds from issuance of preferred shares	7	35,000	14,000
Repayment on redemption of preferred shares	7	(45,000)	(54,000)
		(4,931,374)	(7,939,124)
Increase (decrease) in cash		2,048,326	(369,796)
Cash, beginning of year		2,466,414	2,836,210
Cash, end of year		$ 4,514,740	$ 2,466,414

The accompanying notes form an integral part of these financial statements.

CCMBC INVESTMENTS LTD.

Notes to Financial Statements

Year ended December 31, 2023

1. Organization of the Company:

CCMBC Investments Ltd. (the "Company") was incorporated under the *Canadian Business Corporations Act* on May 14, 2019. The Company commenced active operations on August 30, 2019. The head office of the Company is located at 1310 Taylor Avenue Winnipeg, Manitoba, Canada.

The Company's objective is to facilitate the raising of funds to accomplish the charitable purposes of the Canadian Conference of the Mennonite Brethren Church of North America (CCMBC) and CCMBC Legacy Fund Inc. (Legacy or Manager). The Company issues redeemable preferred shares (preferred shares) and promissory notes (promissory notes) to facilitate the lending of money secured by mortgages for Mennonite Brethren Churches (MB Churches), pastors of Mennonite Brethren Churches (MB Church Pastors) and other Mennonite Brethren and affiliated institutions such as schools and camps (MB Church Entities). Any excess funds not required for lending are invested in other investments pursuant to specified investment guidelines.

The Company is managed by Legacy, a registered charity.

2. Basis of preparation:

(a) Statement of compliance:

The financial statements of the Company have been prepared by the Manager in accordance with IFRS Accounting Standards (IFRS).

The financial statements were approved by the Board of Directors and authorized for issue on June 3, 2024.

(b) Basis of measurement:

The financial statements have been prepared on a going concern and historical cost basis, except for other investments which are measured at fair value through profit or loss (FVTPL).

(c) Functional and presentation currency:

The financial statements are presented in Canadian dollars, which is the Company's functional currency.

CCMBC INVESTMENTS LTD.

2. Basis of preparation (continued):

(d) Critical accounting estimates, assumptions and judgments:

The preparation of financial statements in accordance with IFRSs requires the Manager to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses and disclosures of contingent assets and liabilities. Actual results could differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

The significant items subject to estimates and assumptions include:

Measurement of expected credit losses:

The determination of expected credit losses takes into account different factors and varies by nature of mortgage investment. These judgments include changes in circumstances that may cause future assessments of credit risk to be materially different from current assessments, which would require an increase or decrease in the expected credit loss. Refer to note 3(b).

Fair value measurement:

Where the fair values of financial assets and financial liabilities recorded in the financial statements cannot be derived from active markets, they are determined using a variety of valuation techniques that may include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, estimates are required to establish fair values. The Company's other investments consistent of investments in private investment funds and are valued based on the net asset value of each of the investment funds.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include:

Classification of mortgage investments:

Mortgage investments are classified based on the business model for managing assets and the contractual cash flow characteristics of the asset. The Company exercises judgment in determining both the business model for managing the assets and whether cash flows of the financial asset comprise solely payments of principal and interest.

2. Basis of preparation (continued):

Income taxes:

The Company is subject to income taxes in different jurisdictions. Judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the year in which such determination is made.

3. Material accounting policies:

(a) Cash:

Cash is comprised of cash balances held on deposit.

(b) Financial instruments:

(i) Classification and measurement:

Financial assets are required to be classified into one of the following categories: fair value through profit or loss (FVTPL), amortized cost or fair value through other comprehensive income (FVOCI) based on the company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is derivative or it is designated as such on initial recognition.

All financial instruments are measured at fair value on initial recognition. Measurement in subsequent years depends on the classification of the financial instrument. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments classified as FVTPL, in which case transaction costs are expensed as incurred.

3. Material accounting policies (continued):

Financial instruments at FVTPL are recognized initially on the trade date, which is the date on which the company becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they are originated.

Financial assets:

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

3. Material accounting policies (continued):

Financial assets - Business model assessment:

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to the Manager.

The information considered includes:

- the policies and objectives for the portfolio and the operation of those policies in practice. These include whether the Company's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Manager of the Company;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectation about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets - assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

3. Material accounting policies (continued):

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

(ii) FVTPL:

Financial instruments classified as FVTPL are subsequently measured at fair value at each reporting period with changes in fair value recognized in the statements of comprehensive income in the period in which they occur. The Company classifies its other investments as measured at FVTPL.

3. Material accounting policies (continued):

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices at the close of trading on the reporting date.

The fair value of financial assets and liabilities that are not traded in an active market, including derivative instruments, is determined using valuation techniques. Valuation techniques also include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and others commonly used by market participants and which make the maximum use of observable inputs. Should the value of the financial asset or liability be inaccurate, unreliable or not readily available, the fair value is estimated on the basis of the most recently reported information of a similar financial asset or liability.

(iii) Amortized cost:

Financial instruments classified as amortized cost include financial assets that are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest and financial liabilities not classified as FVTPL. Such financial assets and liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent measurement of these financial assets and financial liabilities is at amortized cost using the effective interest method, less any impairment losses. Interest income is recognized by applying the effective interest rate. The Company classifies cash, investment income receivable, mortgage investments, accounts payable and accrued liabilities, due to related parties, promissory notes payable and preference shares as measured at amortized cost.

The effective interest method is a method calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

3. Material accounting policies (continued):

(iv) Derecognition:

Financial assets:

The Company 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 Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities:

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

(v) Offsetting:

Financial assets and liabilities are offset and the net amount presented in the statements of financial position only when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. At December 31, 2023 and 2022, no amounts have been offset in the statement of financial position.

(vi) Impairment of financial assets:

The Company recognizes loss allowances for expected credit loss (ECL) on financial assets measured at amortized cost. The Company applies a three-stage approach to measure allowance for credit losses. The Company measures the loss allowance at an amount equal to 12 months of expected losses for performing mortgages if the credit risk at the reporting date has not increased significantly since initial recognition (Stage 1) and at an amount equal to lifetime expected losses on performing mortgages that have experienced a significant increase in credit risk since origination (Stage 2) and at an amount equal to lifetime expected losses on mortgages which are credit impaired (Stage 3).

3. Material accounting policies (continued):

The determination of a significant increase in credit risk takes into account different factors and varies by nature of investment. The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due interest payment or maturity date, or pursuant to borrower specific relative criteria as identified by the Manager.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonably and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment that includes forward-looking information.

The Company considers a financial asset to be credit impaired when the borrower is more than 90 days past due or when there is objective evidence that there has been a deterioration of credit quality to the extent the Company no longer has reasonable assurance as to the timely collection of the full amount of principal and interest or/and when the Company has commenced enforcement remedies available to it under its contractual agreements.

The assessment of significant increase in credit risk requires experienced credit judgment. In determining whether there has been a significant increase in credit risk and in calculating the amount of expected credit losses, the Manager relies on estimates and exercises judgment regarding matters for which the ultimate outcome is unknown. These judgments include changes in circumstances that may cause future assessments of credit risk to be materially different from current assessments, which could require an increase or decrease in the allowance for credit losses.

In cases where a borrower experiences financial difficulties, the Company may grant certain concessionary modifications to the terms and conditions of a mortgage. Modifications may include payment deferrals, extension of amortization periods, debt consolidation, forbearance and other modifications intended to minimize the economic loss and to avoid foreclosure or repossession of collateral. The Company determines the appropriate remediation strategy based on the individual borrower. If the Company determines that a modification results in expiry of cash flows, the original asset is derecognized while a new asset is recognized based on the new contractual terms.

Significant increase in credit risk is assessed relative to the risk of default on the date of modification. If the Company determines that a modification does not result in derecognition, significant increase in credit risk is assessed based on the risk of default at initial recognition of the original asset.

3. Material accounting policies (continued):

Expected cash flows arising from the modified contractual terms are considered when calculating the ECL for the modified asset. For mortgages that were modified while having a lifetime ECL, the mortgages can revert to having 12-month ECL after a period of performance and improvement in the borrower's financial condition.

Measurement of ECLs:

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset. Lifetime ECLs are the ECLs that result from all possible default event over the expected life of a financial instrument. 12-months ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). 12 month and lifetime probabilities of default are based on historical data from external credit rating agencies. Loss given default parameters reflect an assumed recovery rate of 70 percent (2022 - 70 percent). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining the expected credit loss provision, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. The Manager considers past events, current market conditions and reasonable forward-looking supportable information about future economic conditions. In assessing information about possible future economic conditions, the Company utilizes multiple economic scenarios including a base case, which represents the most probable outcome and is consistent with the Manager's view of the mortgage investments. In considering the lifetime of a mortgage, the contractual period of the mortgage, including prepayment, extension and other options is generally used.

The Company incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and measurement of ECL. The key drivers for credit risk used by the Company are GDP growth, unemployment rates and housing price indicators. The Company may also make qualitative adjustments or overlays using the Manager's credit judgment.

3. Material accounting policies (continued):

Credit-impaired financial assets:

Allowances for Stage 3, including those purchase or originated credit impaired (POCI), are recorded for individually identified impaired mortgages to reduce their carrying value to the expected recoverable amount.

The Company reviews its mortgage investments on an ongoing basis to assess whether any mortgages carried at amortized cost should be classified as credit impaired and whether an allowance or write-off should be recorded. The review of individually significant problem mortgages, including POCI, is conducted at least quarterly by the Manager, who assesses the ultimate collectability and estimated recoveries for a specific mortgage based on all events and conditions that are relevant to the mortgage. To determine the amount the Company expects to recover from an individually significant impaired mortgage, the Company uses the value of the estimated future cash flows discounted at the mortgage's original effective interest rate. The determination of estimated future cash flows of a collateralized impaired mortgage reflects the expected realization of the underlying security, net of expected costs and any amounts legally required to be paid to the borrower.

Presentation of allowance for ECL in the statement of financial position:

Loss allowances for financial asset measured at amortized cost are deducted from the gross carrying amount of the asset.

Write-offs:

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amount subject to write-off. The Company expects no significant recovery from the amount written off.

However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

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3. Material accounting policies (continued):

(c) Preferred shares:

The Company's preferred shares include a contractual obligation to deliver cash or another financial asset and therefore the ongoing redemption feature is not the Company's only contractual obligation. As such, the Company's preferred shares are classified as financial liabilities in accordance with International Accounting Standard 32, *Financial Instruments: Presentation*.

(d) Income taxes:

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

CCMBC INVESTMENTS LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2023

3. Material accounting policies (continued):

(e) Changes in material accounting policies:

The Company adopted *Disclosure of Accounting Policies* (*Amendments to IAS 1* and *IFRS Practice Statement 2*) on January 1, 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material' rather than 'significant' accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

The Manager reviewed the accounting policies disclosed in note 3 Material accounting policies (2022 - significant accounting policies) in certain instances in line with the amendments. The amendments had not impact on the Company's disclosed accounting policy information.

4. Mortgage investments:

The Company's mortgage investments consist of the following at December 31:

	2023	2022
Mortgage investments	$ 59,908,408	$ 64,679,676
Interest receivable	245,792	157,718
	60,154,200	64,837,394
Allowance for credit losses	(1,323,574)	(1,494,603)
Mortgage investments at amortized cost	$ 58,830,626	$ 63,342,791

As at December 31, 2023, unadvanced mortgage commitments under the existing gross mortgage investments amounted to $12,523,797 (2022 - $2,097,385). Subsequent to December 31, 2023, additional mortgage commitments in the amount of $2,028,000 were entered into. The mortgage investments are secured by real property and will mature between 2024 and 2048. During the year ended December 31, 2023, the Company generated net interest income of $4,919,378 (2022 - $3,699,151).

All mortgage investments bear interest at a variable rate which is adjusted every six months. At December 31, 2023, the interest rate on mortgages to MB Churches and MB Church Entities is 7.90 percent (2022 - 5.90 percent) and for MB Church Pastors is 6.25 percent (2022 - 4.25 percent).

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Notes to Financial Statements (continued)

Year ended December 31, 2023

4. Mortgage investments (continued):

The Company reviews the interest rates every six months and adjusts the rates, as required, to ensure a positive difference between its outstanding promissory notes and the mortgage investments.

During the year ended December 31, 2023, the weighted average interest rate earned on net mortgage investments was 7.65 percent (2022 - 5.81 percent). A majority of the mortgage investments contain a prepayment option, whereby the borrower may repay the principal at any time prior to maturity without penalty or yield maintenance.

If not demanded, principal repayments are expected as follows:

2024	$	2,347,688
2025		2,290,767
2026		2,454,486
2027		2,476,266
2028 and thereafter		51,969,590
	$	61,538,797

Allowance for Credit Losses:

The allowance for credit losses is maintained at a level that the Company considers adequate to absorb expected credit-related losses on the mortgage investments. The allowance for credit losses amounted to $1,323,573 as at December 31, 2023 (2022 - $1,494,603) which is recorded in mortgage investments on the statement of financial position. Certain mortgage investments held by the Company do not have an allowance for credit losses due to the value of the underlying collateral.

During the year ended December 31, 2023, the Company worked with borrowers on a case-by-case basis on deferral arrangements. At December 31, 2023, 12.2 percent (2022 - 3.9 percent) of borrowers (excluding those POCI) were on deferral arrangements or had not resumed their principal and interest payments. Additionally, the Company entered into mortgage agreements which modified the original mortgage agreements with one existing borrower (2022 - two existing borrowers).

During the year ended December 31, 2022, the borrower for one POCI mortgage disposed of their property and repaid their mortgage to the Company. This resulted in a reversal for the provision for credit losses of $184,587 and a gain of $1,542,108 recorded in the statement of comprehensive income.

CCMBC INVESTMENTS LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2023

4. Mortgage investments (continued):

December 31, 2023:

MB Churches	Stage 1	Stage 2	Stage 3	POCI	Total
Mortgage investments, including interest receivable	$ 31,939,968	$ 12,739,628	$ –	$ 1,551,750	$ 46,231,346
Allowance for credit losses	–	(180,141)	–	(719,101)	(899,242)
Mortgage investments, net of allowance	$ 31,939,968	$ 12,599,487	$ –	$ 832,649	$ 45,332,104

MB Church Entities	Stage 1	Stage 2	Stage 3	POCI	Total
Mortgage investments, including interest receivable	$ 9,259,529	$ –	$ –	$ 670,911	$ 9,930,440
Allowance for credit losses	–	–	–	(381,240)	(381,240)
Mortgage investments, net of allowance	$ 9,259,529	$ –	$ –	$ 289,671	$ 9,549,200

MB Church Pastors	Stage 1	Stage 2	Stage 3	POCI	Total
Mortgage investments, including interest receivable	$ 3,420,899	$ 571,515	$ –	$ –	$ 3,992,414
Allowance for credit losses	(43,092)	–	–	–	(43,092)
Mortgage investments, net of allowance	$ 3,377,807	$ 571,515	$ –	$ –	$ 3,949,322

December 31, 2022:

MB Churches	Stage 1	Stage 2	Stage 3	POCI	Total
Mortgage investments, including interest receivable	$ 31,012,307	$ 15,056,653	$ –	$ 1,517,917	$ 47,586,877
Allowance for credit losses	(29,083)	(174,764)	–	(762,266)	(966,113)
Mortgage investments, net of allowance	$ 30,983,224	$ 14,881,889	$ –	$ 755,651	$ 46,620,764

MB Church Entities	Stage 1	Stage 2	Stage 3	POCI	Total
Mortgage investments, including interest receivable	$ 11,842,012	$ 1,212,141	$ –	$ 728,219	$ 13,782,372
Allowance for credit losses	–	(31,774)	–	(444,073)	(475,847)
Mortgage investments, net of allowance	$ 11,842,012	$ 1,180,367	$ –	$ 284,146	$ 13,306,525

CCMBC INVESTMENTS LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2023

4. Mortgage investments (continued):

MB Church Pastors	Stage 1	Stage 2	Stage 3	POCI	Total
Mortgage investments, including interest receivable	$ 2,574,870	$ 893,275	$ –	$ –	$ 3,468,145
Allowance for credit losses	(52,643)	–	–	–	(52,643)
Mortgage investments, net of allowance	$ 2,522,227	$ 893,275	$ –	$ –	$ 3,415,502

The changes in the allowance for credit losses are shown in the following tables:

December 31, 2023

MB Churches	Stage 1	Stage 2	Stage 3	POCI	Total
Balance, beginning of year	$ 29,083	$ 174,764	$ –	$ 762,266	$ 966,113
Transfer to/from:					
Stage 1	–	–	–	–	–
Stage 2	–	–	–	–	–
Stage 3	–	–	–	–	–
Remeasurement	(19,077)	(34,235)	–	(43,165)	(96,477)
Purchases	–	–	–	–	–
Fundings	–	43,506	–	–	43,506
Repayments	(10,006)	(3,894)	–	–	(13,900)
Write-offs	–	–			
Balance, end of year	$ –	$ 180,141	$ –	$ 719,101	$ 899,242

MB Church Entities	Stage 1	Stage 2	Stage 3	POCI	Total
Balance, beginning of year	$ –	$ 31,774	$ –	$ 444,073	$ 475,847
Transfer to/from:					
Stage 1	–	–	–	–	–
Stage 2	–	–	–	–	–
Stage 3	–	–	–	–	–
Remeasurement	–	(27,781)	–	(60,215)	(87,996)
Purchases	–	–	–	–	–
Fundings	–	–	–	–	–
Repayments	–	(3,993)	–	(2,618)	(6,611)
Write-offs	–	–	–	–	–
Balance, end of year	$ –	$ –	$ –	$ 381,240	$ 381,240

CCMBC INVESTMENTS LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2023

4. Mortgage investments (continued):

MB Church Pastors	Stage 1	Stage 2	Stage 3	POCI	Total
Balance, beginning of year	$ 52,643	$ –	$ –	$ –	$ 52,643
Transfer to/from:					
Stage 1	–	–	–	–	–
Stage 2	–	–	–	–	–
Stage 3	–	–	–	–	–
Remeasurement	(114,311)	–	–	–	(114,311)
Purchases	–	–	–	–	–
Fundings	115,000	–	–	–	115,000
Repayments	(10,240)	–	–	–	(10,240)
Write-offs	–	–	–	–	–
Balance, end of year	$ 43,092	$ –	$ –	$ –	$ 43,092

December 31, 2022

MB Churches	Stage 1	Stage 2	Stage 3	POCI	Total
Balance, beginning of year	$ 35,313	$ 5,137	$ –	$ 759,352	$ 799,802
Transfer to/from:					
Stage 1	–	–	–	–	–
Stage 2	–	–	–	–	–
Stage 3	–	–	–	–	–
Remeasurement	(3,200)	159,686	–	453,253	609,739
Purchases	–	–	–	–	–
Fundings	–	10,975	–	–	10,975
Repayments	(3,030)	(1,034)	–	(184,587)	(188,651)
Write-offs	–	–	–	(265,752)	(265,752)
Balance, end of year	$ 29,083	$ 174,764	$ –	$ 762,266	$ 966,113

MB Church Entities	Stage 1	Stage 2	Stage 3	POCI	Total
Balance, beginning of year	$ –	$ 6,495	$	$ 448,708	$ 455,203
Transfer to/from:					
Stage 1	–	–	–	–	–
Stage 2	–	–	–	–	–
Stage 3	–	–	–	–	–
Remeasurement	–	25,741	–	64,234	89,975
Purchases	–	–	–	–	–
Fundings	–	–	–	10,038	10,038
Repayments	–	(462)	–	(3,536)	(3,998)
Write-offs	–	–	–	(75,371)	(75,371)
Balance, end of year	$ –	$ 31,774	$ –	$ 444,073	$ 475,847

4. Mortgage investments (continued):

MB Church Pastors	Stage 1	Stage 2	Stage 3	POCI	Total
Balance, beginning of year	$ 56,277	$ –	$ –	$ –	$ 56,277
Transfer to/from:					
Stage 1	–	–	–	–	–
Stage 2	–	–	–	–	–
Stage 3	–	–	–	–	–
Remeasurement	(2,143)	–	–	–	(2,143)
Purchases	–	–	–	–	–
Fundings	–	–	–	–	–
Repayments	(1,491)	–	–	–	(1,491)
Write-offs	–	–	–	–	–
Balance, end of year	$ 52,643	$ –	$ –	$ –	$ 52,643

The internal risk ratings presented in the table below are defined as follows:

Low risk: Mortgage investments that have lower credit risk than the Company's risk appetite and credit standards and that have a below average probability of default.

Medium-low risk: Mortgage investments that are typical for the Company's risk appetite and credit standards and retain a below average probability of default.

Medium-high risk: Mortgage investments that are within the Company's risk appetite and credit standards and retain an average probability of default.

High risk: Mortgage investments within the Company's risk appetite and credit standards that have an additional element of credit risk that could result in an above average probability of default.

Default: Mortgage investments that are 90 days past due and when there is objective evidence that there has been a deterioration of credit quality to the extent the Company no longer has reasonable assurance as to the timely collection of the full amount of principal and interest and/or when the Company has commenced enforcement remedies available to it under its contractual agreements.

CCMBC INVESTMENTS LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2023

4. Mortgage investments (continued):

The following table presents the gross carrying amounts of mortgage investments subject to impairment requirements by internal risk ratings used by the Company for credit risk management purposes at December 31, 2023:

MB Churches	Stage 1	Stage 2	Stage 3	POCI	Total
Low risk	$ 7,742,010	$ –	$ –	$ –	$ 7,742,010
Medium-low risk	19,079,186	1,791,658	–	–	20,870,844
Medium-high risk	5,118,772	889,027	–	–	6,007,799
High risk	–	10,058,943	–	–	10,058,943
Default	–	–	–	1,551,750	1,551,750
Gross mortgage investments	31,939,968	12,739,628	–	1,551,750	46,231,346
Allowance for credit losses	–	(180,141)	–	(719,101)	(899,242)
Mortgage investments, net of allowance	$ 31,939,968	$ 12,559,487	$ –	$ 832,649	$ 45,332,104

MB Church Entities	Stage 1	Stage 2	Stage 3	POCI	Total
Low risk	$ 1,801,444	$ –	$ –	$ –	$ 1,801,444
Medium-low risk	7,458,085	–	–	–	7,458,085
Medium-high risk	–	–	–	–	–
High risk	–	–	–	–	–
Default	–	–	–	670,911	670,911
Gross mortgage investments	9,259,529	–	–	670,911	9,930,440
Allowance for credit losses	–	–	–	(381,240)	(381,240)
Mortgage investments, net of allowance	$ 9,259,529	$ –	$ –	$ 289,671	$ 9,549,200

MB Church Pastors	Stage 1	Stage 2	Stage 3	POCI	Total
Low risk	$ –	$ –	$ –	$ –	$ –
Medium-low risk	1,288,539	404,275	–	–	1,692,814
Medium-high risk	1,017,929	167,240	–	–	1,185,169
High risk	1,114,431	–	–	–	1,114,431
Default	–	–	–	–	–
Gross mortgage investments	3,420,899	571,515	–	–	3,992,414
Allowance for credit losses	(43,092)	–	–	–	(43,092)
Mortgage investments, net of allowance	$ 3,377,807	$ 571,515	$ –	$ –	$ 3,949,322

CCMBC INVESTMENTS LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2023

4. Mortgage investments (continued):

The following table presents the gross carrying amounts of mortgage investments subject to impairment requirements by internal risk ratings used by the Company for credit risk management purposes at December 31, 2022:

MB Churches	Stage 1	Stage 2	Stage 3	POCI	Total
Low risk	$ 10,364,743	$ 883,262	$ –	$ –	$ 11,248,005
Medium-low risk	17,130,107	3,728,970	–	–	20,859,077
Medium-high risk	3,517,457	1,258,305	–	–	4,775,762
High risk	–	9,186,116	–	–	9,186,116
Default	–	–	–	1,517,917	1,517,917
Gross mortgage investments	31,012,307	15,056,653	–	1,517,917	47,586,877
Allowance for credit losses	(29,083)	(174,764)	–	(762,266)	(966,113)
Mortgage investments, net of allowance	$ 30,983,224	$ 14,881,889	$ –	$ 755,651	$ 46,620,764

MB Church Entities	Stage 1	Stage 2	Stage 3	POCI	Total
Low risk	$ 4,992,414	$ 284,362	$ –	$ –	$ 5,276,776
Medium-low risk	6,849,598	927,779	–	–	7,777,377
Medium-high risk	–	–	–	–	–
High risk	–	–	–	–	–
Default	–	–	–	728,219	728,219
Gross mortgage investments	11,842,012	1,212,141	–	728,219	13,782,372
Allowance for credit losses	–	(31,774)	–	(444,073)	(475,847)
Mortgage investments, net of allowance	$ 11,842,012	$ 1,180,367	$ –	$ 284,146	$ 13,306,525

MB Church Pastors	Stage 1	Stage 2	Stage 3	POCI	Total
Low risk	$ –	$ –	$ –	$ –	$ –
Medium-low risk	1,406,825	582,357	–	–	1,989,182
Medium-high risk	1,168,045	–	–	–	1,168,045
High risk	–	310,918	–	–	310,918
Default	–	–	–	–	–
Gross mortgage investments	2,574,870	893,275	–	–	3,468,145
Allowance for credit losses	(52,643)	–	–	–	(52,643)
Mortgage investments, net of allowance	$ 2,522,227	$ 893,275	$ –	$ –	$ 3,415,502

CCMBC INVESTMENTS LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2023

4. Mortgage investments (continued):

Geographic analysis:

December 31, 2023	MB Churches	MB Church Entities	MB Church Pastors	Total
British Columbia	$ 32,505,926	$ 2,593,702	$ 907,637	$ 36,007,265
Ontario	3,590,225	6,465,801	2,171,205	12,227,231
Alberta	6,005,631	192,138	–	6,197,769
Saskatchewan	115,847	–	203,082	318,929
Manitoba	2,945,248	–	167,240	3,112,488
Quebec	59,730	297,559	500,158	857,447
Atlantic Provinces	109,497	–	–	109,497
	$ 45,332,104	$ 9,549,200	$ 3,949,322	$ 58,830,626

December 31, 2022	MB Churches	MB Church Entities	MB Church Pastors	Total
British Columbia	$ 32,069,892	$ 5,734,742	$ 1,033,786	$ 38,838,420
Ontario	4,215,236	6,938,169	1,159,250	12,312,655
Alberta	6,232,268	252,588	–	6,484,856
Saskatchewan	135,775	78,116	227,099	440,990
Manitoba	3,808,751	–	474,581	4,283,332
Quebec	40,604	302,910	520,786	864,300
Atlantic Provinces	118,238	–	–	118,238
	$ 46,620,764	$ 13,306,525	$ 3,415,502	$ 63,342,791

5. Other investments:

The Company's other investments consist of the following at December 31 which are unconsolidated structured entities (note 13):

	2023	2022
Private mortgage funds	$ 30,897,081	$ 24,810,921
Private fixed income funds	31,144,986	33,192,863
Private money market fund	214,211	–
	$ 62,256,278	$ 58,003,784

CCMBC INVESTMENTS LTD.

6. Promissory notes:

The Company is authorized to issue an unlimited number of promissory notes which can be issued in one or more series. The initial minimum subscription amount for each holder of a promissory note is $2,500. The promissory notes are payable on demand and bear interest at a variable interest rate which is determined on January 1 and July 1 of each year. Interest is compounded and payable on a semi-annual basis on June 30 and December 31 of each year. The payment of the demand promissory notes will be limited to available cash, and the Company will use reasonable commercial efforts to cover such requests, but will not be required to sell assets or borrow money in order to fund such payments.

On December 20, 2021, the Company amended the terms and conditions of the promissory notes to allow for additional interest to be paid at the discretion of the Company. Effective January 1, 2022 to June 30, 2022, the interest rate on the promissory notes was increased by 20 basis points to 135 basis points above the overnight lending rate of the Bank of Canada. Effective July 1, 2022 to December 31, 2022, the interest rate on the promissory notes was increased by an additional 30 basis points to 165 basis points above the overnight lending rate of the Bank of Canada.

From January 1, 2023 to August 31, 2023, the variable interest rate was equal to the overnight lending rate of the Bank of Canada plus 115 basis points.

On July 1, 2023, the Company amended the terms and conditions of the promissory notes to allow the board of directors to set the interest rate on the promissory notes. The board of directors approved the interest rate to be set at 4.75 percent effective September 1, 2023. The board of directors will then determine the interest rate on the promissory notes on January 1, 2024, and then again on July 1, 2024 and then on January 1 and July 1 each year thereafter

The following table summarizes the promissory notes as at December 31:

	2023	2022
Promissory notes	$ 122,602,095	$ 121,213,177
Less transaction costs	(107,335)	(266,038)
	$ 122,494,760	$ 120,947,139

CCMBC INVESTMENTS LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2023

6. Promissory notes (continued):

The following table summarizes activity for the promissory notes for the period ending December 31:

	Note	2023	2022
Balance, beginning of year		$ 120,947,139	$ 125,847,166
Promissory notes issued		14,894,008	8,147,587
Transfer from preferred shares	7	7,000	8,000
Promissory notes repaid		(19,815,382)	(16,046,711)
Amortization of transaction costs		158,703	155,985
Interest on promissory notes		6,553,805	2,906,519
Transfer of interest on preferred shares	7	6,011	6,250
Interest paid		(256,524)	(77,657)
		$ 122,494,760	$ 120,947,139

7. Preferred shares:

Preferred shares are issued on the first $500 invested by an investor in the Company with the remainder invested in promissory notes. The preferred shares are redeemable at the option of the holder for $1, with a minimum of fourteen days' notice to the Company. The preferred shares are not entitled to vote at any meetings of shareholders, except where otherwise provided by the Canada Business Corporations Act, and, in such case, they shall then be entitled to one vote for each preferred share held.

The preferred shares are entitled in each financial year of the Company, cumulative dividends at a rate equal to 1 percent of the redemption amount of $1 per preferred share. Individual holders of preferred shares must subscribe for 500 preferred shares and no holder of preferred shares can hold more than 500 preferred shares.

CCMBC INVESTMENTS LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2023

7. Preferred shares (continued):

The following table summarizes the preferred shares as at December 31, 2023:

	Number		Amount
Authorized:			
Unlimited preferred shares, non-voting, cumulative dividend Entitlement of 1 percent of the redemption amount annually, redeemable at the option of the holder for $1	613,500	$	613,500

The following table summarizes the preferred shares as at December 31, 2022:

	Number		Amount
Authorized:			
Unlimited preferred shares, non-voting, cumulative dividend entitlement of 1 percent of the redemption amount annually, redeemable at the option of the holder for $1	630,500	$	630,500

The following table summarizes activity for the preferred shares for the year ending December 31:

	Note		2023		2022
Balance, beginning of year		$	630,500	$	678,500
Preferred shares issued			35,000		14,000
Preferred shares transferred to promissory notes	6		(7,000)		(8,000)
Preferred shares repurchased			(45,000)		(54,000)
Accrued interest			6,280		6,499
Interest paid			(269)		(249)
Transfer of interest to promissory notes	6		(6,011)		(6,250)
Balance, end of year		$	613,500	$	630,500

CCMBC INVESTMENTS LTD.

8. Share capital:

On May 14, 2019, the Company issued 1 common share for cash consideration of $100 to Legacy.

	Number		Amount
Authorized and issued:			
1 common share	1	$	100

9. Management and investment management fees:

The Company is managed by Legacy. For the year ended December 31, 2023, the Company incurred management fees of $530,000 (2022 - $500,000).

The Company has entered into an Investment Management and Distribution Agreement with a third party that can be cancelled at any time on written notice without penalty. The investment management fees are as follows:

- $400,000 on the first $30,000,000 of assets under management (AUM)
- 0.80% on AUM from $30,000,000 to $50,000,000
- 0.60% on AUM from $50,000,000 to $150,000,000

For the year ended December 31, 2023, the Company incurred investment management fees of $690,156 (2022 - $575,253).

10. Related party transactions:

The Company is managed by Legacy and pays management fees as described in note 9.

During the year ended December 31, 2023, the Company donated $380,000 (2022 - $2,290,000) to Legacy.

Key management personnel:

During the periods ended December 31, 2023 and 2022, no amounts were paid to the Company’s Board of Directors. The compensation to the senior management of Legacy is paid through management fees paid to Legacy.

CCMBC INVESTMENTS LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2023

11. Income taxes:

Components of income tax expense (recovery):

	2023	2022
Current taxes	$ 78,693	$ 196,354
Deferred taxes	41,405	26,473
Total income taxes	$ 120,098	$ 222,827

Reconciliation of total tax expense (recovery):

	2023	2022
Income before tax	$ 483,526	$ 919,862
Combined federal and provincial statutory tax rates	27%	27%
Expected income taxes using combined statutory rates	130,552	248,363
Effects of other differences, net	(10,454)	(25,536)
Total income taxes	$ 120,098	$ 222,827

Net deferred tax assets at December 31, 2023 and 2022:

	Statement of financial position	
	2023	2022
Provision for credit losses	$ 67,547	$ 89,503
Donation carryforward	37,359	59,110
Transaction costs	(10,305)	(12,607)
Net deferred tax assets	$ 94,601	$ 136,006

12. Fair value measurement:

When measuring the fair value of an asset or of a liability, the Company uses market observable data as much as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: significant inputs for the asset or liability that are not based on observable market data (unobservable inputs). If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting year during which the change has occurred. There were no transfers between levels during the years ended December 31, 2023 and 2022.

The Company's other investments are carried at fair value and fair value is based on level 2 inputs.

There is no quoted price in an active market for the mortgage investments. The Manager makes its determination of fair value based on its assessment of the current lending market for the mortgage investments of same or similar terms. As a result, the fair value of mortgage investments is based on level 3 inputs. The fair value of mortgage investments approximates their carrying value as interest rates are comparable to market rates for similar instruments.

The promissory notes and preferred shares are due on demand and therefore their fair values approximate their carrying values. The fair values of the remaining financial assets and liabilities carried at amortized cost approximate their carrying values due to their short maturity.

CCMBC INVESTMENTS LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2023

13. Interest in unconsolidated structured entities:

The table below describes the types of structured entities that the Company does not consolidate, but in which it holds an interest:

Type of structured entity	Nature and purpose	Interest held by the Company
Investments funds	To manage assets on behalf of third party investors and generate fees for the investment manager. These vehicles are financed through the issue of units to investors.	Investment in units issued by the funds

The tables below set out interests held by the Company in unconsolidated structured entities. The maximum exposure to loss is the carrying amount of the financial assets held.

December 31, 2023 Underlying funds	Number of underlying funds held	Total net assets of underlying funds	Carrying amount
Private mortgage funds	2	$ 460,484,538	$ 30,897,081
Private fixed income funds	2	123,118,059	31,144,986
Private money market fund	1	85,936,437	214,211

Underlying funds	Principal place of business	Country of domicile	Average cost	Carrying amount included in other investments
Private mortgage funds	Canada	Canada	$ 30,622,445	$ 30,897,081
Private fixed income funds	Canada	Canada	31,799,127	31,144,986
Private money market fund	Canada	Canada	214,297	214,211
Total			$ 62,635,869	$ 62,256,278

December 31, 2022 Underlying funds	Number of underlying funds held	Total net assets of underlying funds	Carrying amount
Private mortgage funds	2	$ 337,910,736	$ 24,810,921
Private fixed income funds	2	142,697,747	33,192,863

Underlying funds	Principal place of business	Country of domicile	Average cost	Carrying amount included in other investments
Private mortgage funds	Canada	Canada	$ 24,544,084	$ 24,810,921
Private fixed income funds	Canada	Canada	34,050,875	33,192,863
Total			$ 58,594,959	$ 58,003,784

13. Interest in unconsolidated structured entities (continued):

During the year, the Company did not provide financial support to unconsolidated structured entities and has no intention of providing financial or other support. The Company can redeem their investment in the underlying funds ranging from weekly to semi-annually.

The Company has determined the funds (Investee Funds) in which it invests are unconsolidated structured entities generally because decision making about the Investee Funds' investing activities is not governed by voting rights held by the Company and other investors.

The Investee Funds are managed by an asset manager who is unrelated to the Company (note 9) and applies various investment strategies to accomplish their respective investment objectives. These objectives include generating income and cash flow along with capital appreciation by investing in fixed income securities and mortgages. The private fixed income funds are invested in unconsolidated structured entities (investment funds) which comprise approximately 91 percent (2022 - 88 percent) of the aggregate net assets of the private fixed income funds. The private mortgage funds are invested in mortgage loans which comprised approximately 74 percent (2022 - 90 percent) of the aggregate net assets of the private mortgage funds and unconsolidated structured entities (investment funds) which comprise approximately 26 percent (2022 - 1 percent) of the aggregate net assets of the private mortgage funds.

The change in fair value of each Investee Fund is included in the statement of comprehensive income in 'Net unrealized gains (losses) of other investments'.

14. Operating facility and guarantees:

On May 6, 2021, the Company entered into a Letter of Agreement with the Bank of Montreal providing for an operating facility in the amount of $1,500,000 which bears interest at the prime rate and is repayable on demand. The operating facility is secured by a general security agreement over the assets of the Company, a $1,500,000 corporate guarantee from Legacy, CCMBC and CCMBC Holdings Inc., a pledge of securities and accounts from Legacy and general security agreements over the assets of Legacy, CCMBC and CCMBC Holdings Inc. As at December 31, 2023 and 2022, the operating facility was unutilized.

On August 22, 2019, and as amended October 25, 2019, Legacy entered into a Letter Agreement with the Bank of Montreal providing for operating facilities for use by Legacy. The Company has provided a guarantee in the amount of $1,275,000 (2022 - $1,275,000) and a general security agreement over the assets of the Company to the Bank of Montreal as part of the security for the operating facility of Legacy. At December 31, 2023 and 2022, the operating facility for use by Legacy was unutilized.

15. Capital risk management:

The Company manages its capital structure in order to support ongoing operations while focusing on its primary objectives of raising funds to accomplish the charitable purposes of CCMBC and Legacy. The Company defines its capital structure to include common shares, promissory notes and preferred shares. The Company reviews its capital structure on an ongoing basis and adjusts its capital structure in response to mortgage investment opportunities and anticipated changes in general economic conditions.

The Company utilizes mortgage investment policies to manage the risk profile of the mortgage investments and investment guidelines to manage the risk profile of its other investments.

16. Risk management:

The Company is exposed to the symptoms and effects of national and global economic conditions and other factors that could adversely affect its business, financial condition and operating results. Many of these risk factors are beyond the Company's direct control.

The Manager and Board of Directors play an active role in monitoring the Company's key risks and in determining the policies that are best suited to manage these risks.

The Company's business activities, including its use of financial instruments, exposes the Company to various risks, the most significant of which are market rate risk (interest rate risk), credit risk, and liquidity risk.

(a) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of financial assets or financial liabilities will fluctuate because of changes in market interest rates.

As of December 31, 2023, $58,830,626 (2022 - $63,342,791) of net mortgage investments bear interest at variable rates. If there were a decrease or increase of 1 percent in interest rates, with all other variables constant, the impact from variable rate mortgage investments would be a decrease or increase in net comprehensive income of approximately $588,000 (2022 - $689,000).

As of December 31, 2023, $122,494,760 (2022 - $120,947,139) of promissory notes bear interest at variable rates. If there was a decrease or increase of 1 percent in interest rates, with all other variables constant, the impacting from variable rate promissory notes would be a increase or decrease in net comprehensive income of approximately $1,222,000 (2022 - $1,222,000).

16. Risk management (continued):

The Company manages its sensitivity to interest rate fluctuations by managing the interest rate spread between its promissory notes and mortgage investments.

The Company's cash, other investment income receivable, accounts payable and accrued liabilities and due to related parties have no exposure to interest rate risk due to their short-term nature. Cash carries a variable rate of interest and is subject to minimal interest rate risk and the preferred shares have no exposure to interest rate risk due to their fixed interest rate.

The Company is also exposed to interest rate risk through its investments in Investee Funds (note 13).

The Investee Funds are exposed to interest rate risk through their investments in interest-bearing financial instruments and in underlying funds exposed to interest rate risk. The Investee Funds have high-yield (or below investment grade) exposure to mortgages and therefore net assets tend to be affected more by changes in economic growth than changes in interest rates.

(b) Currency risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company has no significant direct exposure, or indirect exposure through its investment in Investee Funds, to currency risk at December 31, 2023 and 2022.

(c) Credit risk:

Credit risk is the risk that a borrower may be unable to honour its debt commitments as a result of a negative change in market conditions that could result in a loss to the Company. The Company mitigates this risk by the following:

(i) adhering to the mortgage investment policies and investment guidelines (subject to certain duly approved exceptions);

(ii) ensuring all new mortgage investments over a pre-determined threshold are approved by the Board of Directors, and by appropriate members of the Manager below a pre-determined threshold before funding; and

(iii) actively monitoring the mortgage investments and initiating recovery procedures, in a timely manner, where required.

16. Risk management (continued):

The exposure to credit risk at December 31, 2023 relating to net mortgages amounts to $58,830,626 (2022 - $63,342,791).

The Company has recourse under these mortgages in the event of default by the borrower; in which case, the Company would have a claim against the underlying collateral. The Manager believes that the potential loss from credit risk with respect to cash that is held at a Schedule I bank to be minimal.

The Company is also exposed to credit risk through its investments in Investee Funds (note 13).

The Investee Funds are exposed to credit risk through investments in debt securities, mortgage loans and promissory notes. The mortgage loans are secured by all assets of the borrower as defined by general security agreements which may be subordinate to other lenders.

(d) Liquidity risk:

Liquidity risk is the risk that the Company, will encounter difficulty in meeting its financial obligations as they become due. This risk arises in normal operations from fluctuations in cash flow as a result of the timing of mortgage investment advances and repayments and the need for working capital. The Manager routinely forecasts future cash flow sources and requirements to ensure cash is efficiently utilized.

The Company's promissory notes and preferred shares are due on demand. The payment of the demand promissory notes will be limited to available cash, and the Company will use reasonable commercial efforts to cover such requests, but will not be required to sell assets or borrow money in order to fund such payments. All of the rest of the Company's financial liabilities are due within one year.

The Company is also exposed to liquidity risk through its investments in Investee Funds (note 13).

16. Risk management (continued):

The fixed income Investee Funds are exposed to liquidity risk through weekly or monthly cash redemptions on their units and therefore they invest a portion of assets in underlying funds that they can redeem within one week or one month or less. The mortgage Investee Funds are exposed to liquidity risk through weekly or semi-annual cash redemptions on their units and therefore use cash flow projections to forecast funding requirements on mortgage proposals and anticipated redemption of units and my also enter into loan facilities with one or more Canadian chartered banks to hedge the liquidity risk of redemptions.

A portion of the amounts invested in underlying funds are subject to redemption restrictions exercisable by the manager of the underlying fund to manage extraordinary liquidity pressures which includes the ability to suspend redemptions or withhold varying amounts of any redemption requested.