

2019

ANNUAL REPORT

FIRST CREDIT UNION Annual Report



**Vision: To build financially
healthy communities**

**Purpose: Empower
Through Knowledge**



Table of contents

- 3** Vision & Purpose
- 4** Table of Contents
- 5** The First Credit Union Story
- 6** Message from the CEO & Board Chair
- 8** Community Impact
- 12** Auditor's Report
- 14** Financial Performance
- 16** Contact



The First Credit Union Story

In 1932 Walter Cavanaugh of Powell River was looking for a loan to finance the construction of his home. Unfortunately, during that time, banks wouldn't lend to working-class people and interest fees of loan companies were extraordinarily high.

Determined to find a solution, Cavanaugh reached out to others who were seeking alternative banking options, and proposed the idea of a credit union. They believed in his vision of working together to achieve their financial goals.

Over the next few years, Cavanaugh coordinated efforts with Father Leo Hobson, who ran a local adult education program, to create a group dedicated to studying credit unions.

The group slowly expanded and started collecting savings; on June 9, 1939 Powell River became home to the BC's first chartered credit union: Powell River Credit Union (now First Credit Union). The first loan was granted to Walter Cavanaugh to build his house.

To this day First Credit Union continues to embrace the cooperative values of the founding members by helping one another and investing in our community.



Linda Bowyer, **CEO**

Message from the CEO & Board Chair

2019 was truly a milestone year for First Credit Union, as it marked our 80th year of doing business as the first credit union in the province. Not only were we able to celebrate this significant achievement, honoring decades of history serving our members and communities, 2019 also marked the first year of a new strategic plan for the organization, and further growth in terms of delivering on our purpose and pursuing our vision.

Beginning in 2018, we started the work to developing a new three year strategic plan for the organization, for the period 2019 - 2021. During this time, we also revisited our vision and purpose through a collaborative discovery process that lasted several months. Through this exploration, we were able to affirm our belief that as a cooperative, our main reason for being is to make a financial difference, both in the lives of our members and in the communities we serve. This led to a re-articulation of our aspirational goal, or vision: *To Build Financially Healthy Communities*. This of course is no small task, but 80 years of past experience tells us that this is a commitment we can make—we believe that by being purpose-driven and rooted in our values as an organization, we can get there.

This same discovery process also yielded a new organizational purpose for First Credit Union: *To Empower Through Knowledge*. Delivering advice and improving financial literacy have been cornerstones of our operation for many years, and experience has also taught us that fulfilling this purpose can help us achieve our vision. In 2019, we pursued empowerment through knowledge in several ways—by focusing both on the development of our people, improving financial literacy and enhancing financial services delivery to our members, and by sharing knowledge in our communities.



Guy Chartier, **Board Chair**

This has included initiatives to enhance the advisory capabilities of our employees, such as through the development of a new advisory training program, as well as through investment in a new training resource to support other forms of employee development and training. For our members and others in our communities we delivered the *Each One Teach One* financial literacy program and offered a full day of free workshops on critical business topics to help support small business owners. In terms of new tools and financial products and services, 2019 also saw the completion of a project to simplify and improve our personal & business account lineup, the launch of a new small business banking platform, and the construction of a new branch location in Courtenay. Finally, we worked to empower through knowledge in our communities, once again delivering our annual youth leadership program, investing in education through scholarships, and bringing community members together to learn more about important issues such as poverty and cooperative development.

In the past year we've also made progress on evolving our social impact strategy. This included refining our focus areas to Diversity, Equity, and Inclusion, Building Strong local Economies, and Environmental Sustainability. We explored each of these priority areas in 2019, with a focus on determining where we could lead, where we could collaborate, and where it might make better sense to play a supporting role existing programs. Through this work and with the support of First Credit Union's membership, we were able to make an impact in a number of areas, which you can read further about in the Community Impact section of this report.

Lastly, 2019 was another year to be proud of from a results perspective. We achieved strong employee and member engagement scores and realized substantial progress towards several of our strategic goals. Below are just a few of the notable highlights from the year:

- Asset growth of 7.2%, putting the organization at over \$474 million in assets at year end
- Deposit growth of over 8.6% or \$32 million
- Loan growth of over 8.3% or \$31 million
- Record commissions for wealth management
- \$360,000 distributed to members as a share of previous years' profits
- Celebrated our 80th Anniversary with a sold-out dinner/dance at Dwight Hall
- Maintaining recognition as a Living Wage employer
- Launched a new employee Reward & Recognition program
- \$30,000 in scholarships awarded
- Hosted a day of free workshops for the small business community in Powell River in collaboration with community partners
- 76 employees participated in Community Impact Day, serving 13 organizations
- Nine grade 12 students completed CULEAD Young Leaders program
- Over \$13,000 distributed in Community Investment Grants

Looking to the year ahead, we will continue to build on the progress we have made against our strategic plan. The new year has brought some unique challenges, but we're confident both in our qualified employees, who every day demonstrate their steadfast commitment to supporting our members and communities, and in our dedicated volunteer Directors, who generously offer their knowledge and experience in stewardship of our organization.

Thank you for your membership.



Community Impact



Community impact – giving back through everyday banking.

One third of First Credit Union profits are distributed back to members and their communities. This means that just by doing everyday banking like opening an account, depositing money, or getting a mortgage, members are also giving back to their community through donations, sponsorships, scholarships and community programming. Here are 10 ways members gave back to our communities in 2019 – thank you!

You Awarded Scholarships

Thanks to your support, First Credit Union offers a robust scholarship program that has supported local students with over \$250,000 in scholarships since 1999. In 2019, \$30,000 was awarded to members pursuing post-secondary education, including adults returning to studies.

You Empowered Young Leaders

Our youth are the key to the positive social and economic future of our communities; we believe it's important to help them gain leadership skills they need now and as they look toward the future. By being a First Credit Union member you helped support multiple leadership programs in 2019 like CULEAD Young Leaders, Bowen Island Leaders in Training (LIT) and Youth Excellence Society (YES) Leadership Camp.

Your support also sponsored programs like the Adventures in Film Camp where students attended master classes from filmmakers and were mentored by a film professional, resulting in a 1-2 minute film that screened at the PR Film Festival.

You Cared For The Environment

A healthy environment is critical to a healthy community, so it only makes sense that we'd put credit union profits to work helping stewards of our local ecosystems like the Cumberland Community Forest Society, Powell River Parks and Wilderness Society, and Texada Salmon Society.

One highlight from 2019 was the marine debris cleanup led by Coast Mountain Academy that took place on the south shores of Ahgykson (Harwood Island). Various school and community groups such as Brooks Secondary Environmental Club, Tla'aman language class and the qathet Regional District's Let's Talk Trash team spent two days cleaning up 4 barges of debris from the beach shores with support from First Credit Union employees.

You Improved Financial Well-Being

People's financial well-being depends on their ability to understand and use financial information in a way that helps them make good decisions. Your support as members enabled us to deliver the Each One Teach One financial literacy program to provide financial workshops to help build knowledge, skills and confidence. Each One Teach One is an approach to providing basic and plain language financial knowledge, in your community, by volunteer employees from our credit union, without ties to any products or services. The sole goal is to empower individuals to make the right financial decisions for themselves and their families.

You Helped Vulnerable Community Members

By banking with First Credit Union you helped us support people in our communities who need a helping hand. In 2019 we were able to make donations to local food banks, community kitchens, and school breakfast programs. We were also pleased to support Everybody Deserves a Smile (EDAS), a not-for-profit organization that connects students and local communities with people experiencing homelessness. Students learn about homelessness, poverty and active citizenship; they collect donations of warm clothes, make cookies, paint bags, make cards and then assemble them into care packages. With the help of community members, EDAS distributes the packages to people living on the streets so that they feel seen, respected and cared for.



You Supported Local Business

Small businesses are the lifeblood of our local economy. In addition to local purchasing practices, we support small business owners any way we can. Thanks to our members, First Credit Union was able to collaborate with local organizations to host a full day of free workshops on topics ranging from marketing and building your brand to planning for cash flow and making the most of your money.

You Brought People Together

In addition to hosting First Credit Union events like 'Movie Under the Stars', we sponsor many community festivals and activities that showcase our communities and bring people together. Thanks to our members we were able to sponsor events like Texada Island Sandcastle Weekend, PR Logger Sports, Light Up Bowen Island and Cumberland Winterfaire.

You Strengthened Local Not-For-Profits

Not-for-profit organizations play a vital role in building healthy communities by providing critical services that contribute to economic stability and mobility. Banking with First Credit Union helped provide organizations like Texada Island Seniors Housing Society, Powell River Farmer's Institute, Comox Valley Transition Society and Swim Bowen with funding in 2019.

You Encouraged Volunteerism

Many organizations and charities rely on volunteers to help them thrive and do their work. Thanks to your

support we are able to host our annual Community Impact Day. Once a year we close all our branches three hours to enable our employees to volunteer in their community. In 2019 volunteer projects included: weeding community gardens; painting and repairing a community hall; building a community disc golf course; cleaning food banks; helping at an SPCA; and accompanying seniors to a classic care show. Employees look forward to this opportunity to lend a hand and show our gratitude to some of the remarkable non-profit organizations that work every day for the benefit of others.

You Invested In The Future Of Our Communities

First Credit Union is a proud affiliate of Community Foundations in Powell River, the Comox Valley, and on Bowen Island. A Community Foundation's primary goal is to serve their local community; through gifts and bequests, the Community Foundations build permanent funds and those that can respond to immediate needs. In 2019 your support allowed us to contribute to permanent funds helping our communities ensure vital futures.

As a member-owned cooperative, commitment to community is at the heart of our business, but this work is only possible with the support of our membership. Thank you to our members for embarking on this journey with us to build financially healthy communities.



Auditor's Report

To the Members of First Credit Union:

Opinion

We have audited the consolidated financial statements of First Credit Union (the "Credit Union"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Credit Union as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis For Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated 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 consolidated 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 & Those Charged With Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a

guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we

are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.



Chartered Professional Accountants

Kelowna, BC March 17, 2020

Financial Performance

Consolidated Statement of Financial Position

Summary of the Consolidated Statement of Financial Position as at December 31, 2019

| ASSETS | 2019 | 2018 |
|--|----------------------|----------------------|
| Cash and cash equivalents | \$36,446,534 | \$37,647,543 |
| Investments | \$9,065,299 | \$6,910,281 |
| Members' loans receivable | \$409,430,457 | \$378,096,897 |
| Income taxes recoverable | \$207,732 | - |
| Property, plant and equipment | \$4,796,201 | \$4,500,041 |
| Intangible assets | \$554,701 | \$608,314 |
| Other assets | \$5,062,853 | \$5,715,294 |
| Deferred tax assets | \$290,496 | \$123,147 |
| Derivative assets held for risk management | \$21,409 | \$535,045 |
| Investment in associates | \$7,872,127 | \$8,271,774 |
| Asset held for sale | \$641,967 | - |
| | \$474,389,776 | \$442,408,336 |
| LIABILITIES | | |
| Member deposits & accrued interest | \$400,728,029 | \$369,040,289 |
| Income taxes payable | - | \$225,255 |
| Trade payables & accrued liabilities | \$1,696,624 | \$1,525,380 |
| Secured borrowings | \$38,687,052 | \$39,323,621 |
| Lease liabilities | \$837,413 | - |
| Patronage dividends payable | \$352,169 | \$360,000 |
| | \$442,301,287 | \$410,474,547 |
| MEMBERS' EQUITY | | |
| Member shares | \$2,164,888 | \$2,441,242 |
| Retained earnings | \$28,334,029 | \$27,896,951 |
| Contributed surplus | \$1,589,572 | \$1,595,596 |
| | \$32,088,489 | \$31,933,789 |
| | \$474,389,776 | \$442,408,336 |

Consolidated Statement of Income

Summary of the Consolidated Statement of Income for the year ended December 31, 2019

| | 2019 | 2018 |
|---|----------------|---------------|
| Interest income | \$15,714,611 | \$13,123,532 |
| Interest expense | (\$6,776,297) | (\$4,794,987) |
| Provision for credit losses | (\$110,576) | (\$80,141) |
| Net interest income after provision for credit losses | \$8,827,738 | \$8,248,404 |
| Other income | \$3,244,900 | \$3,293,795 |
| Net interest & other income, after provision | \$12,072,638 | \$11,542,199 |
| Operating expenses | (\$10,046,622) | (\$9,600,475) |
| Distribution to members | (\$366,434) | (\$385,453) |
| Other items | (\$1,052,272) | (\$756,792) |
| Net income before income taxes | \$607,310 | \$799,479 |
| Income taxes | (\$147,600) | (\$240,581) |
| Net income | \$459,710 | \$558,898 |

Consolidated Statement of Cash Flows

Summary of the Consolidated Statement of Cash Flows, December 31, 2019

| | 2019 | 2018 |
|--|----------------|----------------|
| Cash provided by operating activities | \$3,903,888 | \$3,827,156 |
| Cash provided by financing activities | \$29,109,997 | \$55,802,195 |
| Cash provided by investing activities | (\$34,214,894) | (\$52,400,323) |
| Increase (decrease) in cash & cash equivalents | (\$1,201,009) | \$7,229,028 |
| Cash & cash equivalents, beginning of year | \$37,647,543 | \$30,418,515 |
| Cash & cash equivalents, end of year | \$36,446,534 | \$37,647,543 |

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what we do.**

