

VIRTUAL AGM

FIRST CREDIT UNION
2020

Annual Report



Since 1939, we've dedicated our time, energy and resources to increasing the financial wellness of our members. We remain steadfast in our dedication to building financially healthy communities & empowering through knowledge.

Our Vision: To build financially healthy communities

We have a responsibility, as a financial institution owned by our members, to ensure that all of our activities help build thriving, vibrant communities. That's why we focus on the financial, social and environmental well-being of our members and the communities we serve.

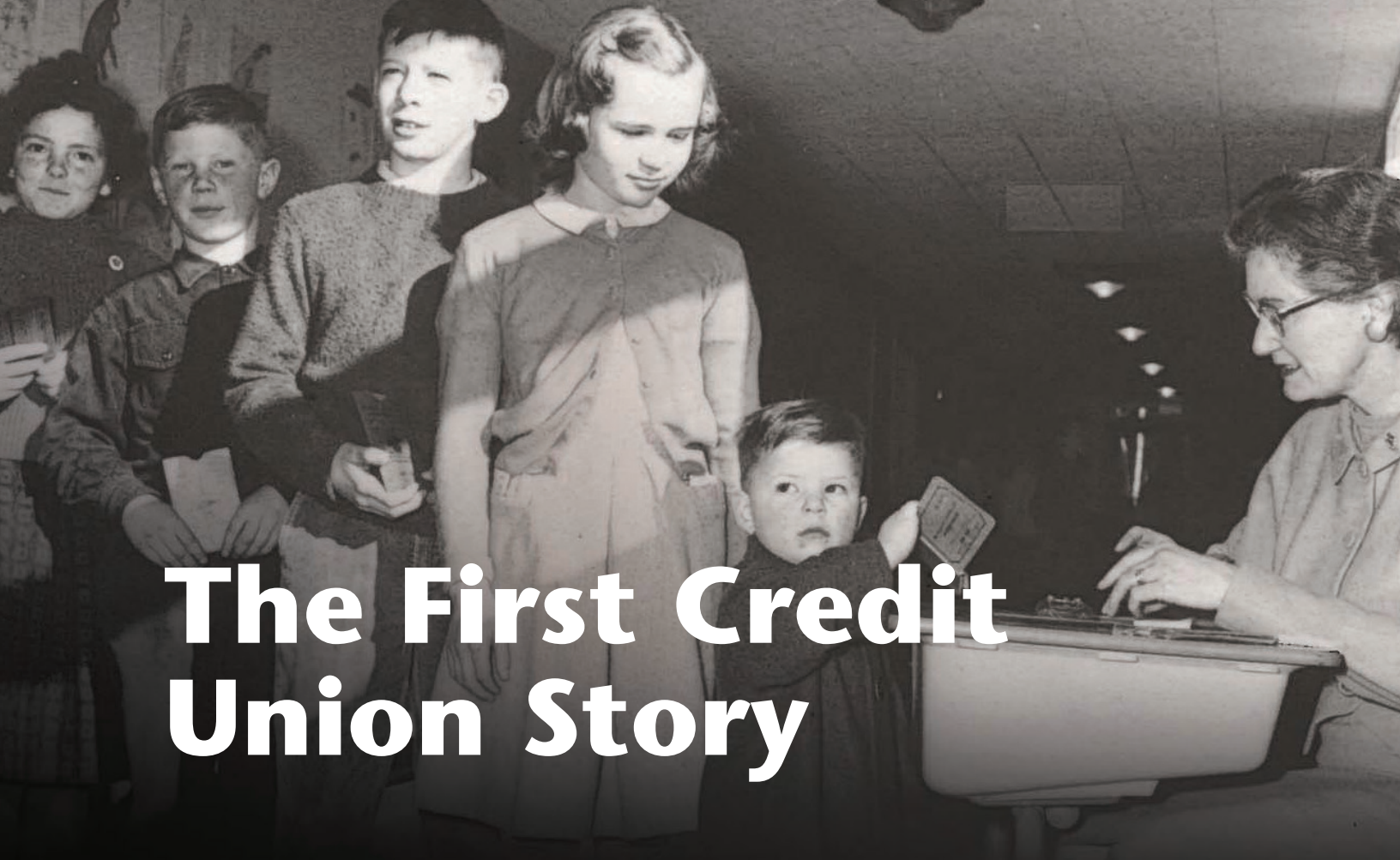
Our Purpose: To empower through knowledge

Increasing financial literacy is core to our existence. A favorite example of this is Ruth Allan - known fondly as the 'Credit Union Lady' - who was the beloved administrator of the First Credit Union (then Powell River Credit Union) School Savings Program from 1957 to 1980. She is still credited by many of our members as the person who taught them the value of saving. Ruth's work is the inspiration for our purpose.



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The First Credit Union Story

Originally known as Powell River Credit Union, First Credit Union began in 1932 in a tiny mill-town located on the West Coast of British Columbia. At that time, “everybody worked at the mill,” including Walter Cavanaugh, who had a dream of building his own home and needed a loan to finance the construction. To his frustration, he discovered that traditional banks would not lend to working-class people, and loan companies charged exorbitant interest fees. Determined to find a solution, Cavanaugh reached out to others who had experienced the same rejection and frustration. He proposed they help themselves, each other and their community by starting a financial co-operative.

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 and the co-operative principles and values. On June 9, 1939, Powell River became home to British Columbia’s first chartered credit union: Powell River 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.



Member Benefits

Because we're a credit union and not a conventional bank, you'll need to become a member before opening an account. Being a First Credit Union member entitles you to a range of benefits including voting rights, annual profit share, unlimited 100% guarantee on your deposits, access to a national network of over 4,000 surcharge-free ATMs, and even an opportunity to join our Board of Directors.

Benefits for you

- You are an owner. Every member of First Credit Union is an owner with equal voting power. Whether you have ten dollars or ten million dollars, you have one vote and a say on how we do things.
- You are the centre of our universe. Whereas banks are accountable to their shareholders, it's our owners that we need to answer to - and that's you!
- You share in the profits. At First Credit Union, we share one third of our net profits with members (through annual profit share) and the community (through community impact programming) every year.
- You have access to a national network of ATMs. Credit Unions work together, which means you have access to over 4,000 surcharge-free ATMs across Canada - a larger network than most banks!
- Your deposits are 100% guaranteed. More than one million British Columbians enjoy the solid security and peace of mind that comes from saving at their credit union. The Credit Union Deposit Insurance Corporation of British Columbia, a statutory corporation, protects all British Columbia credit union depositors. Security, dependability, and trust - that's the unbeatable combination you will find at First Credit Union.
- You can feel good about banking. Credit unions have a set of cooperative principles and fundamental beliefs that guide their actions. Honesty, openness, social responsibility, and caring for others are the ethical values that keep us focused on positively impacting our members, employees and communities.
- You are part of something big. First Credit Union is local through and through, but we are also part of a global cooperative movement. Join millions of other people as we work to create a more equitable, sustainable and resilient world.

Members are also eligible to apply for First Credit Union Scholarships, Small Business Bursaries, and sponsorships to attend YES Leadership Camp - a week-long summer camp that teaches leadership and team-building skills.

Benefits for your community

At First Credit Union, one third of our net profit is shared with members and the community every year. Just by being a member, you are positively impacting your community.

COVID-19

2020 was a year of unknowns. As a credit union we had to navigate the COVID-19 global pandemic and adapt the way we operated to best ensure the safety and health of our members and employees.



We adapted

To help reduce the spread of COVID-19 we encouraged our members to do less in our physical branches and to take advantage of our mobile, online & telephone banking.

Member Safety & Financial Relief

What did we do to help members navigate unprecedented times?

- We encouraged online banking
- We waived all e-transfer fees for members from March 19, 2020 to March 31, 2021
- We stayed diligent and educated members/employees about cybercriminals using the COVID-19 pandemic to launch phishing attacks and various other scams
- We helped business members in need of emergency support due to the impact of COVID-19 access the Canada Emergency Business Account
- We designed a payment deferral program to support members and help them focus on what matters most— health and family
- For members with a Collabria credit card, Collabria put support programs in place.

Message from the CEO & Board Chair

2020 was a year that brought with it many challenges, but also yielded many examples of growth, resiliency, and adaptability. We started the year excited about the opportunity to make further progress towards our strategic goals: continuing to improve the service experience for our members, enhancing employee knowledge and advisory capability, further evolving our social impact strategy, and overall, securing greater sustainability by exploring a promising merger opportunity. The global COVID-19 pandemic quickly caused a shift in our priorities, but we're happy to share that despite the challenges caused by this crisis, First Credit Union has had a successful year.

In terms of member experience, much of our year was focused on adapting our services in response to the restrictions caused by the pandemic. This included quickly learning how to offer service remotely using online chat or videoconferencing, adjusting to changes in branch hours of operation to keep members and employees safe, responding to hundreds of member requests for payment deferrals for loans and mortgages, adjusting or eliminating service charges to provide immediate relief to members, and supporting our business members with millions of dollars in Canada Emergency Business Account loans on behalf of the government of Canada. We also made progress on some of our larger strategic projects. This included preparation for the 2021 launch of our new website, the opening of our new branch location in Courtenay, and enabling remote, paperless service delivery for lending across each of our locations. We were also thrilled to commence work on a large scale renovation of our Powell River branch, the design of which is centered around a completely reimagined and progressive service experience for members.



Linda Bowyer, **CEO**



Guy Chartier, **Board Chair**

This was also a significant year from the employee experience perspective. As could be expected, pandemic response dominated as a priority throughout the year, requiring a diligent focus on ensuing employee safety and wellness. We also evolved internal practice to allow employees to communicate and collaborate more effectively, with the launch of a robust employee intranet portal we've affectionately named "Ollie". We increased our focus on employee health and wellness, with programming and interventions particularly targeted at stress management, mental health, and resiliency, and further enhanced our employee Rewards and Recognition program.

Finally, our investment in community was another major focus of 2020, with response to the COVID-19 pandemic quickly becoming a priority. We are very proud of the way our communities mobilized to support the most vulnerable among us throughout the pandemic, and we were honoured to contribute to that effort. With the support of First Credit Union's membership, we were able to make a measurable impact in this and a number of other areas, which you can read further about in the Community Impact section of this report.

Lastly, 2020 was another year to be proud of from a results perspective. We achieved strong employee and member engagement scores, realized double-digit asset growth, and despite the challenging environment, we were able to contribute close to \$1.4 million back into retained earnings for future growth and sustainability. And in terms of our goals for the future, this year we were pleased to announce the proposed merger between First Credit Union and Union Bay Credit Union, which pending member approval, will take place July 2021.

Below are just a few of the other notable highlights from the year:

- Asset growth of 13%, putting the organization at over \$538 million in assets at year end
- Deposit growth of 16% or \$63 million
- Loan growth of over 5% or \$21.5 million
- Wealth management commissions over \$1.2 million
- Declared \$376,000 in distributions to members in profit sharing and dividends
- Maintaining recognition as a Living Wage employer
- Co-founded Powell River Community Response Fund and distributed over \$180,000 to community organizations in need
- Donated \$55,000 to local organizations serving our most vulnerable populations
- Hosted a series of governance workshops for not-for-profit organizations
- Awarded \$21,000 in scholarships and bursaries
- Received Powell River Chamber of Commerce Sustainability Award and the Best of Powell River Award for Corporate Philanthropy

In the year ahead, we are looking forward to growing in new and exciting directions. We will be embarking on a new strategic planning cycle, preparing for a future which includes continued growth and investment in our Vancouver Island and coastal communities.

Once again, we offer our thanks and gratitude to the amazing team of employees who make our organization the vibrant, strong credit union that it is, and express appreciation to the more than 11,000 members who have placed their trust in us and the financial co-operative model. And of course, we also extend thanks to our team of dedicated Directors, who generously lend us their talents as leaders and stewards of our organization.

Thank you for your membership.

Community Impact

Supporting community during a global pandemic.

In 2020, the COVID-19 pandemic brought significant challenges to all of us. First Credit Union responded with additional community support for those in need; made possible because of our members. We distribute one-third of our annual profits back to members and community. This means that every dollar you borrow and every cent you deposit supports donations, sponsorships, scholarships and community programming. Here are just some of the ways your everyday banking positively affected your community during this challenging year – you make a difference!

You donated \$50,000 in crisis funding.

As COVID-19 emerged, First Credit Union identified increasing needs in the community and donated \$50,000 to local organizations serving vulnerable populations. Donations were made to the following organizations: Bowen Island Community Foundation (Resiliency Fund), Comox Valley Community Foundation (COVID-19 Emergency Response Fund), Powell River Community Foundation (Response Fund), Powell River Action Centre Food Bank, Texada Food Bank, LUSH Valley Food Box Program, Cumberland Community Schools Society (Food Box Program), Powell River Farmers Market (Nutritional Coupon Program), and Cumberland Farmer's Market (Nutritional Coupon Program).

Cumberland Nutritional Coupon Program.

*The Comox Valley Farmers' Market, in partnership with Cumberland Community School Society (CCSS) facilitates an annual nutrition coupon program for Cumberland residents. Individuals experiencing financial hardship receive coupons to purchase whole foods such as meat or poultry, fish or seafood, vegetables and fruit, nuts, eggs and cut herbs at the Cumberland Market. The nutrition coupon program ensures a steady flow of shoppers each week to the Cumberland Market and brings a key component of food security to the Village. In 2020, First Credit Union supported this important program with a \$4,000 **donation**.*

You awarded \$20,000 in scholarships.

Aligned with our purpose to 'empower through knowledge', First Credit Union invests in members pursuing post-secondary education. In 2020 we awarded \$20,000 to graduating grade 12 students and life-long learners. Since 1999, we have awarded over \$270,000 to students through our robust scholarship program.

You supported local businesses.

This past year has been particularly challenging for our local small business community. In addition to supporting our small businesses through administering CEBA loans and waiving e-transfer fees, in 2020 we supported multiple small business programs including buy local campaigns (like Loyal 2 Local, Island Comeback, and First Loves Local), a free online business resiliency program (in partnership with Spring Activator and various community partners), and supported the newly-formed Cumberland Business Association.

The Loyal-2-Local social media challenge encouraged First Credit Union employees and community members to support and promote local businesses. Every employee received \$25 to spend locally. Participating community members entered draws for \$50 gift certificates for their favorite local business.

You empowered not-for-profit organizations.

Not-for-profit organizations are the cornerstone of community resilience and wellbeing and play a vital role in helping our communities survive and recover from the global pandemic. In addition to supporting not-for-profits with donations, First Credit Union worked with Vantage Point – an organization that exists to develop and support not-for-profit leaders – to deliver 4 online workshops on leadership and governance training.



Powell River Community Response Fund. *At the beginning of COVID-19, an assessment of the Community Response Funds in our communities revealed a gap in the qathet Region. A partnership between First Credit Union, Powell River & District United Way, Powell River Community Foundation – supported by City of PR Social Planner - was formed to support local community service charities and not-for-profits meeting the urgent needs of vulnerable individuals and families affected by COVID-19. In 2020 this fund distributed over \$180,000 to not-for-profit organizations serving the qathet Region.*

You took action for the environment.

As a co-operative, we are dedicated to bettering the planet & taking action. In 2020, we invested in two additional e-bikes for employees at our Bowen and Texada branch to use for commuting and to attend meetings. We installed bike racks at various branches for members and employees to use and made plans to install electric vehicle charging stations as part of the Powell River Branch renovation. We put credit union profits to work helping supporting earth-friendly groups like Seedy Saturday, Comox Valley Farmer's Market, Powell River Cycling Association, Let's Talk Trash Team, and Powell River Farmer's Market.

Zero Waste Stations. *We were thrilled to partner with the qathet Regional District's Let's Talk Trash Team to support their continued investment into Zero Waste Stations for (free) booking for local community events. These two zero waste stations now include a pop-up tent for protection from the weather with signage attached and extra storing stations.*

You increased financial literacy

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. Prior to COVID-19, First Credit Union hosted 5 workshops on Texada Island, the Comox Valley and in Powell River. With the support of the Canadian Credit Union Association, we were able to change the delivery format to online sessions and Each One Teach One modules are now available for viewing online.

Comox Valley Storywalk. *This free summer activity took participants along some of the Comox Valley's most loved trails and parks where Comox Valley Learning Centre posted stories written by Indigenous authors, with Indigenous content, or with nature as its main theme. First Credit Union was a proud sponsor of this COVID-friendly event that offered families the opportunity to participate in a fun outside activity together.*

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, 2020, and the consolidated statements of comprehensive income, changes in members' 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, 2020, 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 and 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's 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.

MNP LLP

Chartered Professional Accountants
Kelowna, BC March 15, 2021

MNP
LLP



Financial Performance

Consolidated Statement of Financial Position

Summary of the Consolidated Statement of Financial Position as at December 31, 2020

ASSETS	2020	2019
Cash and cash equivalents	\$74,491,582	\$36,446,534
Investments	\$12,119,202	\$9,065,299
Member loans receivable & accrued interest	\$431,026,369	\$409,430,457
Income taxes recoverable	-	\$207,732
Property, plant and equipment	\$5,642,918	\$4,796,201
Intangible assets	\$519,302	\$554,701
Other assets	\$7,151,933	\$5,062,853
Deferred tax assets	\$309,436	\$290,496
Derivative assets held for risk management	-	\$21,409
Investment in associate	\$6,789,311	\$7,872,127
Asset held for sale	-	\$641,967
	\$538,050,053	\$474,389,776
LIABILITIES		
Member deposits & accrued interest	\$463,755,578	\$400,728,029
Income taxes payable	\$168,744	-
Trade payables & accrued liabilities	\$1,594,324	\$1,696,624
Secured borrowings	\$37,884,354	\$38,687,052
Lease liabilities	\$791,084	\$837,413
Patronage dividends payable	\$ 421,192	\$352,169
	\$504,615,276	\$442,301,287
MEMBERS' EQUITY		
Member shares	\$2,126,897	\$2,164,888
Retained earnings	\$29,724,331	\$28,334,029
Contributed surplus	\$1,583,549	\$1,589,572
	\$33,434,777	\$32,088,489
	\$538,050,053	\$474,389,776

Consolidated Statement of Comprehensive Income

Summary of the Consolidated Statement of Comprehensive Income for the year ended December 31, 2020

	2020	2019
Interest income	\$15,335,583	\$15,714,611
Interest expense	(\$5,478,564)	(\$6,776,297)
Provision for credit losses	(\$164,261)	(\$110,576)
Net interest income after provision for credit losses	\$9,692,758	\$8,827,738
Other income	\$2,662,947	\$3,244,900
Net interest & other income, after provision	\$12,355,705	\$12,072,638
Operating expenses	(\$10,075,208)	(\$10,046,622)
Distribution to members	(\$376,286)	(\$366,434)
Other items	(\$16,198)	(\$1,052,272)
Net income before income taxes	\$1,888,013	\$607,310
Income taxes	(\$476,428)	(\$147,600)
Net income	\$1,411,585	\$459,710

Consolidated Statement of Cash Flows

Summary of the Consolidated Statement of Cash Flows for the year ended December 31, 2020

	2020	2019
Cash provided by operating activities	\$2,134,337	\$3,903,888
Cash provided by financing activities	\$60,811,060	\$29,109,997
Cash provided by investing activities	(\$24,900,349)	(\$34,214,894)
Increase (decrease) in cash & cash equivalents	\$38,045,048	(\$1,201,009)
Cash & cash equivalents, beginning of year	\$36,446,534	\$37,647,543
Cash & cash equivalents, end of year	\$74,491,582	\$36,446,534

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