



2021

FIRST CREDIT UNION Annual Report



Established in 1939, we are proud to be the first credit union in British Columbia. We are honoured to serve the unique coastal communities of Powell River, Cumberland, Courtenay, Union Bay, and Bowser as well as Texada Island, Hornby Island, and Bowen Island.



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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.

COVID-19

Throughout 2021, we continued to respond and adapt to the changing circumstances caused by the COVID-19 pandemic. We're grateful to our members for their ongoing patience and understanding as we navigated new norms, and to our employees for their adaptability and ongoing commitment to our members and communities in what continued to be challenging circumstances.

#StrongerTogether



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.

The story continues...

In 2021 we merged with Union Bay Credit Union. This included 3 more branches in Union Bay, Bowser and on Hornby Island.

Message from the CEO & Board Chair

This past year was a momentous one for First Credit Union, which most notably, culminated with the merger of our organization with Union Bay Credit Union on July 1st, 2021. As with all changes of this magnitude, the joining of our two organizations was many months in the making, and the work on integration will span many more. Our new combined organization is measurably stronger, from a both a financial resiliency and resource perspective. Our assets now sit at over \$670 million, and as a result of last year, our retained earnings grew by just over \$2 million dollars. Once again we had strong operating income, and this enabled us to contribute just shy of \$420 thousand in profit sharing and dividends back to our members. And finally, our team now measures over 100 employees, situated across 8 communities, serving over 15,000 members.

As a result of this merger, we entered into the New Year at a size and scale that positions us solidly within the competitive landscape, with the ability to deliver greater value to our members. But as mentioned, our journey towards full integration is still underway. We've made significant progress since the effective date of the merger, both internally with our teams and externally in terms of how we serve our members; however, we're still looking forward to the final step in our integration with the conversion of the former Union Bay Credit Union banking system later in 2022, which will



result in all of our members being moved to a common technological platform. While we need to acknowledge our teams for the effort and commitment they've demonstrated, making this a successful transition so far, we also need to acknowledge our combined membership: First for the faith and trust they placed in the Board and management to execute on the decision to merge, and second for their understanding as we worked through some of the inevitable challenges along the way.

While much of 2021 was focused on our merger project, we also made measurable progress on some of our other significant strategic initiatives, including the development of a new three-year strategic plan and the adoption of a new triple bottom line framework.

In our previous planning period we focused on four key organizational pillars: Employee Experience, Member Experience, Community Impact, and Financial Sustainability. These pillars served us well, but this year we sought a model that took stakeholder perspectives and interconnectedness into greater account. As a result of this exploration work, we concluded that the triple bottom line approach could help us reach those goals and bring us closer to realizing our vision of building financially healthy communities.

The triple bottom line is a sustainability framework that encourages businesses to measure positive and negative impacts on the economy, society, and the environment. These bottom-line categories are often referred to as the three "Ps": people, planet, and profit, or prosperity. In its essence, the triple bottom line approach provides a framework for businesses to drive towards a more regenerative and sustainable future—which aligns beautifully with our goals as a credit union.

Beyond the development of a longer-term strategic plan for the organization, in the past year we've also made significant progress on shorter term operational goals. Some highlights include completion of the renovation of our flagship Powell River branch, the creation of a new centralized Contact Centre in Powell River that can support all of our branches, and the launch of our new and improved member website. From a social and community impact perspective, not only were thousands of dollars invested back into the community, we also contributed to the collaborative development of the qathet Region Poverty Reduction Strategy, we hosted several capacity-building and resiliency focused workshops in our communities, and we supported higher education by awarding over \$30,500 in scholarships to students and adult learners.

These are just some of the many highlights we're proud to share regarding 2021. In addition, we're pleased to share the following operational results and accomplishments from the past year:

- Record financial margin of over \$12.2 million
- Wealth management commissions \$1.4 million & consolidated operating income over \$3.5 million
- Net loan growth of over 5% or \$27 million excluding loans acquired through Union Bay merger
- Net deposit growth of over 5% or \$30 million excluding deposits acquired through Union Bay merger
- Donated over \$40,000 to amplify the impact of community partners
- Conducted our second greenhouse gas emission report & became carbon neutral through the purchase of offsets
- Sponsored 10 Youth to participate in YES Youth Leadership camp

Despite 2021 being a period of significant change for us, this year has been marked by growth, strategic advancements, and a renewed commitment to collaboration and relationship building as we embarked on our new journey together as a newly merged organization. For this, we owe our thanks to our employees and members for their support, and also to our Board of Directors for their dedication and guidance in this evolution. We look forward to the year ahead, building on the strength and vibrancy of our Credit Union.

Thank you for your membership.



Social Impact

Where you bank makes a difference.

First Credit Union is a values-based financial cooperative driven by a vision to build financially healthy communities. We use a triple bottom line approach to help develop socially, economically, and environmentally sustainable communities. That's why we return approximately 1/3 our net profits to our members and communities through impact initiatives. Every dollar you borrow and every cent you deposit supports donations, sponsorships, scholarships and community programming.

Here are just some of the ways your membership had an impact in 2021:



\$30,500

Awarded in post-secondary scholarships



Sixty-three

non-profit leaders attended free governance & leadership workshops



\$50,000

In donations to local non-profit organizations



86 tonnes

of GHG emissions offset through Great Bear Rainforest carbon credits



Four

Electric car charging stations installed at our Powell River (Joyce) location



\$7,500

In sponsorships to send youth to co-operative leadership camps

Building resilient, thriving communities.

In 2021 the COVID 19 pandemic was still impacting our communities. While the economic, social and health impacts have been an extreme hardship for many, there have also been examples of deep resilience. Below are just a few examples of the organizations First Credit Union was proud to support over the past year. These impact stories highlight the spirit of our communities and demonstrate what can be achieved when we work together.



Community Resilience THRIVES on Bowen Island

In recent years the impacts of climate change, combined with a global pandemic, have created a sense of instability that is new and uncomfortable for many B.C. residents. Out of the shadows, inspiring stories of community resilience and innovation have sprouted.

In 2021 a group of Bowen Islanders founded THRIVE an unincorporated group dedicated to promoting community resiliency through food security. One of the key critical issues the group has been looking at is food security and what's emerging around climate change in terms of access to farmland, access to resources and supply chains. In partnership with Kwantlen Polytechnic University, THRIVE sought funding to support a feasibility study for community-owned commercial greenhouses on the island.

"It could not have happened without First Credit Union because they were one of the first in" said THRIVE Co-Founder David Adams. "We're very grateful because their vote of confidence really did provide the stepping stone we needed to build the rest of the momentum to reach our target."

THRIVE successfully raised \$23,000 from corporate donors, and an additional \$12,000 from community members and the project is at an exciting juncture. "We have some potential solutions that are emerging, and a number of different directions we could go in," David says. "It is giving us some very tangible ways of addressing the crucial issue of food resiliency and food security."



Healthy Food Builds Community in Cumberland

Since the Cumberland Farmers' Market was born in 2016, they have been facilitating a nutrition coupon program for residents of their community, in partnership with Cumberland Community School Society (CCSS). The program provides \$20 per week in coupons to low-income individuals, giving people a bit of extra money for food, and the coupons can only be spent at the market on whole foods.

In 2021 a total of \$9,400 in funding was provided to the coupon program by First Credit Union and the Village of Cumberland. These funds enabled the organization to distribute coupons to 154 participants over a 13-week period.

Twila Skinner, General Manager of the Comox Valley Farmers' Market Association, says involving several key community players has been a vital part of the program's success. "We have lots of people in the community who want to help and having different levels of support makes it more of a community program because it's lots of stakeholders, so it spreads it out and grows." Three years of support from First Credit Union has meant that more participants have been able to benefit from the program, Twila continues. "The guaranteed funds from First Credit Union have given us a leg up and helped us to know that we can continue the program."

Access to nutritious food is just one of the positive impacts of the program. It also helps to support the market and local vendors, bringing a steady stream of traffic through the venue and making it a valuable place for community gatherings in the warmer months. At the end of the day the work is all about removing barriers so everyone in community can thrive.



A Rainbow of Hope in the Comox Valley

When you don't have a safe place to sleep at night not much else seems very important. Yet precarious housing is a fact of life for many LGBTQ2S+ youth in the Comox Valley.

LGBTQ2S+ youth are two-to-three times more likely to be homeless than their peers, says Grant Shilling, outreach worker for Dawn to Dawn Action on Homelessness Society. To address this issue, in 2021 Dawn to Dawn embarked on the Rainbow House project, which will provide safe and stable transitional housing and services for at-risk, marginalized youth.

Sabel Grange is a peer support worker with Rainbow House. "The way that I view Rainbow House," she says, "is as a place where young, marginalized folks can come and just have a stable space to be... so we can help them go forward and be the amazing individuals that they are."

Dawn to Dawn is partnering on Rainbow House, also known as Wagalus Gukw, with K'omoks First Nation. This is significant because the Indigenous population is over-represented in the homeless population on Vancouver Island, including in the LGBTQ2S+ youth community.

Partnerships like this one, as well as support from organizations like the Comox Valley Pride Society, and funding from businesses like First Credit Union are incredibly important to the project, Grant says.



Building Connection with the Texada Seniors Housing Society

Community is connection. It's where the people we love live. So, what happens if we are forced to leave our community as we age because there is nowhere suitable for us to live? It's a problem that Cathy Brown and her team at the Texada Island Non-Profit Seniors Housing Society (TINSHS) started looking at in 2019.

"Most people on Texada Island live in their own houses, and most of those houses aren't really elder friendly," Cathy explains. "There are lots of stairs, they're on acreages...The more we looked into it, the more we discovered how great the need was."

In 2020 and 2021 Cathy attended the leadership and governance training offered through First Credit Union's Non-Profit Thriving series.

“All of the training that First Credit Union has put in front of us has been very helpful...The information and assistance we have received has been key for us in putting together our plans, in the development of the organization, and the board itself.”

First Credit Union also provided TINSHS with a \$2,500 donation in 2021 to support a strategic planning process, which has been a vital part of the development of the society and its plan, Cathy continues.

“The strategic plan has been key because it’s given us a document that explains the project clearly to funders and potential land donors.”

Their next step is to do a formal needs assessment and a proper feasibility study. This will help TINSHS secure land for the project, and the funding they will need to build. The number of local organizations, businesses and individuals that have shown interest in and support for the initiative is really encouraging, Cathy says.

“It’s nice to start to see us reconnecting,” she smiles.



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, 2021, and the consolidated statements of income, other 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, 2021, 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 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 15, 2022





Financial Performance

**A complete set of financial statements
is available at firstcu.ca**

Consolidated Statement of Financial Position

Summary of the Consolidated Statement of Financial Position as at December 31, 2021

ASSETS	2021	2020
Cash and cash equivalents	\$31,651,839	\$74,491,582
Investments	\$62,623,343	\$12,119,202
Member loans receivable & accrued interest	\$554,655,729	\$431,026,369
Property, plant and equipment	\$10,730,371	\$5,642,918
Intangible assets	\$1,124,772	\$519,302
Other assets	\$6,222,689	\$7,151,933
Deferred tax assets	-	\$309,436
Investment in associate	\$6,298,646	\$6,789,311
Asset held for sale	-	-
	\$673,307,389	\$538,050,053
LIABILITIES		
Member deposits & accrued interest	\$603,304,092	\$463,755,578
Income taxes payable	\$56,125	\$168,744
Trade payables & accrued liabilities	\$1,936,979	\$1,594,324
Secured borrowings	\$21,526,342	\$37,884,354
Lease liabilities	\$969,889	\$791,084
Deferred tax liabilities	\$492,350	-
Derivative financial instruments held for risk mgmt	\$34,358	-
Patronage dividends payable	\$419,249	\$421,192
	\$628,739,384	\$504,615,276
MEMBERS' EQUITY		
Member shares	\$2,137,132	\$2,126,897
Retained earnings	\$31,724,725	\$29,724,331
Contributed surplus	\$11,019,972	\$1,583,549
Accumulated other comprehensive loss	(\$313,824)	-
	\$44,568,005	\$33,434,777
	\$673,307,389	\$538,050,053

Consolidated Statement of Comprehensive Income

Summary of Consolidated Statement of Comprehensive Income for the year ended December 31, 2021

	2021	2020
Interest income	\$16,079,179	\$15,335,583
Interest expense	(\$3,827,550)	(\$5,478,564)
Net interest income	\$12,251,629	\$9,857,019
Provision for credit losses	(\$203,361)	(\$158,216)
Other income	\$4,034,889	\$2,685,204
Net interest & other income, after provision for credit losses	\$16,083,157	\$12,384,007
Operating expenses	(\$12,511,618)	(\$10,103,510)
Operating income	\$3,571,539	\$2,280,497
Distribution to members	(\$397,686)	(\$376,286)
Other items	(\$582,838)	(\$16,198)
Net income before income taxes	\$2,591,015	\$1,888,013
Income taxes	(\$575,096)	(\$476,428)
Net income	\$2,015,919	\$1,411,585
Fair value losses on investments, net of tax	(\$313,824)	-
Total comprehensive income	1,702,095	1,411,585

Consolidated Statement of Cash Flows

Summary of the Consolidated Statement of Cash Flows for the year ended December 31, 2021

	2021	2020
Cash provided by operating activities	\$12,231,061	\$2,134,337
Cash provided by financing activities	\$15,637,935	\$60,811,060
Cash provided by investing activities	(\$70,708,739)	(\$24,900,349)
Increase (decrease) in cash & cash equivalents	(\$42,839,743)	\$38,045,048
Cash & cash equivalents, beginning of year	\$74,491,582	\$36,446,534
Cash & cash equivalents, end of year	\$31,651,839	\$74,491,582

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