



2022

FIRST CREDIT UNION
Annual Report



About Us

We started out in 1939 as British Columbia's FIRST credit union with our flagship branch in Powell River. As of 2022 we have branches in eight coastal communities (Powell River, Cumberland, Courtenay, Union Bay, Bowser, Hornby Island, Texada Island & Bowen Island). We offer full-service banking and expert financial/wealth management advice. As a certified B Corp, we measure success not by financial gain and growth alone but by the positive impact on people, the planet & prosperity. Each year 10% of net profits are committed to impact initiatives including community funding, scholarships, capacity-building programming for non-profits & small business, and community partnerships that seed change.



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Our Values:

First Credit Union's values are grounded in the International Cooperative Association (ICA) values that inform the cooperative principles. Our core values are the deeply ingrained beliefs that guide our actions.

Accountability: We are accountable for our actions

Authenticity: We are authentic and communicate openly & honestly

Better Together: We are better together

We Care: We care for each other, our members, and communities

Inclusivity: We foster an inclusive environment that embraces and celebrates difference

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.



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.

Message from the CEO & Board Chair

2022 once again marks another year of growth and progress for First Credit Union. This was the first full year for us operating as a combined entity, following the merger of First Credit Union and Union Bay Credit Union which took place in 2021. As a fully united organization, our team now measures over 100 employees, situated across eight communities, serving over 15,000 members. Our assets sit at over \$665 million, and as a result of last year, our retained earnings grew by just under \$2 million dollars. Once again we had strong operating income, and this enabled us to make an allocation of over \$250,000 towards ongoing social impact initiatives in our communities. With our newly expanded branch footprint, and the integration of our teams, we've spent the past year focused on continuing our evolution as a new organization with a new triple bottom line focus.

We started the year with a significant accomplishment, one which was several years in the making. Early in 2022, First Credit Union officially became certified as a Benefit Corporation, or B-Corp. Certified B Corporations are leaders in the global movement for an inclusive, equitable, and regenerative economy. This unique Certification is not easy to obtain: it's a designation that verifies a business is meeting high standards of performance, accountability, and transparency on factors ranging from employee benefits, social impact and member treatment to supply chain practices and environmental responsibility. We're one of only 11 credit unions in Canada to have achieved this distinction, a distinguished group which we're very proud to be a part of.



Linda Bowyer, **CEO**



Guy Chartier, **Board Chair**

Following our 2021 merger, we made significant progress towards fully integrating our two credit unions, both internally with our teams and externally in terms of how we serve our members. As we headed into 2022 however, we were still looking forward to the final step in our integration, with the conversion of the former Union Bay Credit Union banking system. This final step of the merger, which was accomplished in the latter half of 2022, resulted in all of our members being moved to a common technological platform. It was an immense project that spanned more than a year, but has now enabled us to provide a consistent and seamless experience for our members regardless of which community or branch they visit.

Further to our efforts to provide an exceptional member experience, in the past year we formalized a comprehensive digital transformation strategy for the future of our organization. As part of our three-year strategic plan, we identified the importance of increasing our focus on digital transformation to meet the changing expectations of members and to support in-branch, virtual, and online interactions. This strategy will be key to fully serving our existing and future members, to sustaining our strength as a mid-sized credit union, and to delivering the promised enhancements we spoke to during our recent merger. Ultimately, the results of this strategy are meant to provide members increased choice, blending human elements and digital tools for a better service experience, complementing the exceptional in-branch experience that our members know and value. This is something we're all very excited about, members and employees alike, and we look forward to sharing more about this evolution as the strategy progresses.

In 2022 we also continued to set goals within our new "triple bottom line" framework, which is a sustainability model 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 "P's": 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 and brings us closer to realizing our vision of building financially healthy communities.

From the people perspective, this priority has resulted in us focusing in on the impact our organization has on our most important stakeholders: our employees, families, members, and communities. Notably, in 2022 we had the honour of being recognized as one of BC's Top Employers for the second year running. This special designation recognizes the British Columbia employers that lead their industries in offering exceptional places to work. This is a special achievement for us as a mid-sized credit union—we're grateful for our team who make accomplishments such as this possible, and are proud to be an employer of choice in the communities we serve. In addition, in an environment of rising inflation, we've remained committed to being a Living Wage employer, which means we've ensured that at minimum, we're paying wages that reflect the true costs of living in each of the communities we operate in.

Our triple bottom line focus has also meant we've made efforts at reducing our carbon footprint and measuring our consumption of natural resources and the removal of waste. In 2022 we continued with initiatives aimed at education and awareness related to climate action, measuring our waste and outputs, and investing in partnerships that align with our environmental goals.

In addition, our approach to prosperity has included focusing on the impact our organization has on the local economy, and ultimately, our vision of building financially healthy communities. You will read more about many of these initiatives in the Impact section of this report.

And finally, from the financial, or prosperity perspective, we're very happy to share several other key results from the past year:

- Record financial margin of over \$13.6 million
- Wealth management commissions over \$1.4 million & operating income over \$800 thousand
- Loan growth of over 4% or \$25 million
- Deposit growth of over 3% or \$18 million
- 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
- \$34,500 awarded in scholarships

We started the year a newly merged entity, forging new and strengthening existing relationships among our teams, with members, and within our communities. We've also positioned the organization for further advancement, through the launch of our digital transformation strategy - something which will enable us to provide the products and services that are of value to our members - and through the reinvigoration of process improvement initiatives aimed at enhancing member and employee experience. We're excited for what the year ahead will bring and look forward to continuing to leverage the strengths and impact of the cooperative model to promote social, environmental, and economic change.



*Kevin Manning, Bowen Island Branch Manager &
Fred Wagner, Board Director*

Where you bank makes a difference.

As a values-based financial cooperative, First Credit Union is driven by our purpose to empower through knowledge. We are B-Corp Certified and we use a triple bottom line approach to help develop socially, economically, and environmentally sustainable communities.

Each year, First Credit Union re-invests 10% of our net profits back into the communities we serve through impact initiatives. Every dollar you borrow and every cent you deposit supports donations, capacity-building programming, scholarships and community partnerships. Here are just some of the ways your membership has had a positive impact in 2022.

Impact at a glance...



\$34,500

Awarded in post-secondary scholarships



Twenty-five

Non-profits participated in our 'Fundraising 2.0' program



\$67,021

In donations & capacity-building programming to local non-profit organizations



Two

Waste audits conducted to maximize diversion of materials to the landfill



B Corp Certified

We achieved an overall impact score of 105.5. The median score for a typical business is 50.9



\$10,000

In sponsorships to send youth to co-operative leadership camps

*While numbers are important, it's the stories that bring them to life. Read on to learn more about how **where you bank makes a difference!***



Nourishing Community & Resilience in Cumberland

The Cumberland Community Schools Society (CCSS) has been providing healthy meals to students for over 21 years through their Healthy Food Program. The program offers breakfast, lunch, and snacks to students at Cumberland Community School and serves 4,585 meals each month. To break down barriers and stigma, all students receive the same meal, and subsidies are available for low- and modest-income families. In addition to providing good nutrition, the program offers leadership opportunities and life skills to older students who help prepare and serve food. When schools were closed due to the pandemic, CCSS worked with community partners to develop the Food Share program, delivering healthy food hampers directly to the doors of residents in Cumberland. First Credit Union has committed three years of ongoing funding to CCSS's Food Security Campaign, providing a \$10,000 donation in 2022 to help secure enough funding to keep the food programs operating.

For the full story, visit our 'Impact Blog' at [firstcu.ca](https://www.firstcu.ca)





The Ripple Effect of the Comox Valley Regional Rent Bank

The Comox Valley Regional Rent Bank (CVRRB) is a new initiative that aims to provide short-term loans with no interest to low-income individuals and families to promote housing stability. The CVRRB is based on the BC Rent Bank model and provides 0%-interest loans for up to 36 months to help those who find themselves unable to pay rent due to unexpected crises. As an organization concerned about affordable housing and interventions to prevent homelessness First Credit Union has proudly supported the initiative since day one. The Rent Bank is a tool in a broad homelessness prevention toolkit, and it helps one family at a time, but it has the potential to benefit the larger community by preventing added stress on other resources and keeping families in their homes.

For the full story, visit our 'Impact Blog' at firstcu.ca





Miklat: Providing Refuge from the Storm

Miklat Recovery Society is a non-profit charity in Powell River that provides addiction recovery services. The organization offers half of its beds to paying clients while dedicating the remaining half to people who lack funding. Many of the directors and staff at Miklat have worked in the field of addictions counselling and treatment or have themselves overcome addiction. Some of the staff started as volunteers, wanting to repay a kindness that they had been shown in their past. They aim to provide a safe residential environment for clients to grow and eventually become active members of society. In 2022 First Credit Union donated \$5,000 toward renovations for the former firehall building that Miklat has secured a long-term lease on. The new building will allow the organization to double its capacity from 12 to 24 beds. In the future, the society plans to continue expanding and eventually establish a women's home to help more people overcome addiction.

For the full story, visit our 'Impact Blog' at [firstcu.ca](https://www.firstcu.ca)





Partnerships Bring Hope for Natural Spaces in the Comox Valley

The Comox Valley Conservation Partnership (CVCP) has released an updated version of its Nature Without Borders document, which answers questions about environmental policies in the area, the location of mature forests, and the role of carbon reserves in local carbon sequestration. The CVCP, which brings together 29 non-governmental organizations to work on environmental concerns with local governments, said the latest iteration of the plan had been well received by local officials, who had contacted the group for an updated version to inform their work. The plan has been updated with support from the University of British Columbia's Sustainability Scholars Program and from First Credit Union. The plan, which is seen as vital to supporting sustainable development in the region, will have a "long-lasting impact on the way our community continues to develop in the future" says CVCP's executive director, Tim Ennis.

For the full story, visit our 'Impact Blog' at firstcu.ca



Certified



®

Corporation



First Credit Union is B Corp Certified!

In February 2022, First Credit Union proudly became part of the B Corp community, joining over 5,570 businesses certified as B Corps around the world. Not only is the B Corp status assurance to our members that we are meeting high standards around social change, environmental performance, transparency and accountability, but it's also a framework for First Credit Union to measure and focus on continuous improvement.

The B Corp certification addresses the entirety of a business's operations and covers five key impact areas of Governance, Workers, Community, Environment and Customers. The certification process is rigorous, with applicants required to reach a benchmark score of over 80 while providing evidence of socially and environmentally responsible practices relating to energy supplies, waste and water use, worker compensation, diversity and corporate transparency. B Corps are required to undergo the verification process every three years in order to recertify.

B Corp Certification is based on **three essential pillars: verified social and environmental performance, legal accountability and public transparency.** It's the combination of all three that makes the B Corp Certification unique, credible and significant.

1 **Verified Social and Environmental Performance**

This ensures that B Corps walk the talk. To meet the performance requirement, a company must earn a minimum verified score of 80 points on the B Impact Assessment, which examines a company's overall impact on its workers, community, customers, and environment.

2 **Legal Accountability**

The B Corp legal framework allows companies to protect their mission and ensures that the company will continue to practice stakeholder governance even after leadership changes.

3 **Public Transparency**

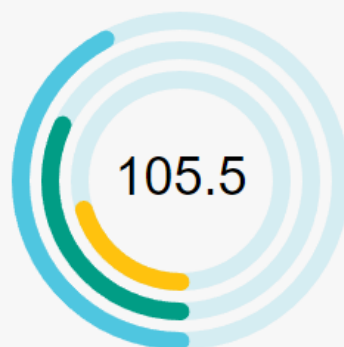
Transparency builds trust. Once certified, each B Corp must make its Impact Report transparent on B corporation.net, allowing the public to see the areas in which specific companies excel and compare B Corps' scores against the performance of mainstream businesses.



For more detailed information about First Credit Union's B Corp assessment, **visit firstcu.ca**

Overall B Impact Score

Based on the B Impact assessment, First Credit Union earned an overall score of 105.5. The median score for ordinary businesses who complete the assessment is currently 50.9.



- 105.5 Overall B Impact Score
- 80 Qualifies for B Corp Certification
- 50.9 Median Score for Ordinary Businesses

We're a Living Wage Employer

A Living Wage is defined as the hourly wage a worker needs to earn to cover their basic expenses within their community. It's a wage that lifts working families out of poverty and allows employees not just to subsist, but to have access to the types of things that make for a decent quality of life: the ability to contribute to communities, and be healthy and active social citizens. Our competitive salaries go well beyond the Living Wage, which aligns with our vision of building financially healthy communities. It means strong local economies, sustainability, and fostering a dedicated, skilled, and healthy workforce. We believe our members would expect nothing less of us in caring for our employees.





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, 2022, and the consolidated statements of income (loss), comprehensive income (loss), 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, 2022, 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.

MNP LLP

Chartered Professional Accountants
Kelowna, BC March 14, 2023

MNP
LLP



Financial Performance

A complete set of financial statements is available at [firstcu.ca](https://www.firstcu.ca)

Please contact your nearest branch for details.

Consolidated Statement of Financial Position

Summary of the Consolidated Statement of Financial Position as at December 31, 2022

ASSETS	2022	2021
Cash and cash equivalents	\$15,993,098	\$31,651,839
Investments	\$51,345,559	\$62,623,343
Member loans receivable & accrued interest	\$575,913,473	\$554,655,729
Income taxes recoverable	\$179,204	-
Property, plant and equipment	\$11,009,916	\$10,730,371
Intangible assets	\$1,207,894	\$1,124,772
Other assets	\$7,449,217	\$6,222,689
Investment in associate	\$2,848,691	\$6,298,646
	\$665,947,052	\$673,307,389
LIABILITIES		
Member deposits & accrued interest	\$600,528,365	\$603,304,092
Income taxes payable	-	\$56,125
Trade payables & accrued liabilities	\$1,721,501	\$1,936,979
Secured borrowings	\$17,052,905	\$21,526,342
Borrowings	\$3,000,000	-
Lease liabilities	\$873,892	\$969,889
Deferred tax liabilities	\$343,658	\$492,350
Derivative financial instruments held for risk mgmt	-	\$34,358
Patronage dividends payable	\$52,680	\$419,249
	\$623,573,001	\$628,739,384
MEMBERS' EQUITY		
Member shares	\$1,875,848	\$2,137,132
Retained earnings	\$33,646,275	\$31,724,725
Contributed surplus	\$8,459,684	\$11,019,972
Accumulated other comprehensive loss	(\$1,607,756)	(\$313,824)
	\$42,374,051	\$44,568,005
	\$665,947,052	\$673,307,389

Consolidated Statement of Comprehensive Income

Summary of Consolidated Statement of Comprehensive Income for the year ended December 31, 2022

	2022	2021
Interest income	\$19,419,232	\$16,079,179
Interest expense	(\$5,540,110)	(\$3,827,550)
Net interest income	\$13,879,122	\$12,251,629
Provision for credit losses	(\$175,171)	(\$203,361)
Other income	\$3,721,488	\$4,034,889
Net interest & other income, after provision for credit losses	\$17,425,439	\$16,083,157
Operating expenses	(\$14,917,934)	(\$12,511,618)
Operating income	\$2,507,505	\$3,571,539
Distribution to members	-	(\$397,686)
Other items	(\$2,704,491)	(\$582,838)
Net income (loss) before income taxes	(\$196,986)	\$2,591,015
Income taxes	(\$397,564)	(\$575,096)
Net income (loss)	(\$594,550)	\$2,015,919
Fair value losses on investments, net of tax	(\$1,293,932)	(\$313,824)
Total comprehensive income (loss)	(1,888,482)	1,702,095

Consolidated Statement of Cash Flows

Summary of the Consolidated Statement of Cash Flows for the year ended December 31, 2022

	2022	2021
Cash provided by operating activities	\$2,542,758	\$12,231,061
Cash provided by (used for) financing activities	(\$6,370,096)	\$15,637,935
Cash used by investing activities	(\$11,831,403)	(\$70,708,739)
Decrease in cash & cash equivalents	(\$15,658,741)	(\$42,839,743)
Cash & cash equivalents, beginning of year	\$31,651,839	\$74,491,582
Cash & cash equivalents, end of year	\$15,993,098	\$31,651,839

The Credit Union's investment in its associate, CU Agencies Alliance Ltd. ("CUAAL"), has been accounted for using the equity method. Subsequent to year end, the Credit Union sold all of its interest in CUAAL for a loss of \$2,688,485. An impairment loss has been recorded as at December 31, 2022 for this amount. For more detail related to accounting treatment of this transaction, please refer to First Credit Union's Consolidated Financial Statements.

Powell River
4721 Joyce Avenue
Powell River, BC V8A 3B5
604-485-6206
1-800-393-6733

Cumberland
2717 Dunsmuir Avenue
PO Box 138
Cumberland, BC V0R 1S0
250-336-2272
1-855-336-2205

Courtenay
14 - 1599 Cliffe Avenue
Courtenay, BC V9N 2K6
250-336-0905
1-866-336-0905

Union Bay
313 McLeod Road
PO Box 158
Union Bay, BC V0R 3B0
250-335-2122
1-800-377-2455

Bowser
Suite 101-6996 W Island Hwy
PO Box 83
Bowser, BC V0R 1G0
250-757-8146
1-800-377-2455

Hornby Island
2115 Sollans Road
PO Box 2
Hornby Island, BC V0R 1Z0
250-335-2326
1-800-377-2455

Texada Island
2021 Legion Road
PO Box 268
Van Anda, BC V0N 3K0
604-486-7851
1-800-361-9933

Bowen Island
106-996 Dorman Road
PO Box 190
Bowen Island, BC V0N 1G0
604-947-2022
1-866-947-2022

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about what we do.**



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