



First Credit Union

2018  
**Annual  
Report**



***Vision: To build financially  
healthy communities***

***Purpose: Empower  
Through Knowledge***

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# About First Credit Union

*First Credit Union is a community owned financial institution with branches in Powell River, Texada, Cumberland, Comox Valley and Bowen Island. We are the oldest Credit Union in BC, incorporated in 1939.*

## **Our Vision**

*To build financially healthy communities.*

As a financial institution owned by our members and deeply rooted in our communities we have a responsibility to make sure that all of our activities ultimately build thriving, vibrant communities.

## **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.



Linda Bowyer, **CEO**



Guy Chartier, **Board Chair**

# Message from the CEO & Board Chair

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2018 was a transitional year for First Credit Union. We were excited to welcome Linda Bowyer, our new CEO in early February, and with new leadership in place, the organization recognized an opportunity to revisit our vision and purpose. Then, armed with a new clarity of purpose, the Board and Senior Management team set about to create a three year strategic plan to help guide us forward, with embedded objectives specific to Member Experience, Employee Experience, Financial Sustainability, and Community Impact. Lastly, 2018 also marked a very strong financial year for First Credit Union. We were able to deliver record loan and deposit growth, as well as unprecedented operating income and revenue for Wealth Management. We are proud of this year's accomplishments and would like to share a little more about that journey.

Early in the year, when we began our work to revisit our vision and purpose we undertook a discovery process that lasted several months. To gather information we interviewed key stakeholders: employees, managers, and board directors, community leaders, industry leaders, members and non-members. We wanted to understand their needs, how we are viewed, what value we provide, and where our opportunities exist. Through this consultative process, 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*. And we believe that the way to accomplish this is by being purpose-driven.

What is our purpose? Ultimately we believe that our purpose as an organization should lie at the intersection of our stakeholder's needs and our core competencies. What we learned from our stakeholders is what they value most is our knowledge and expertise and how we partner with them to make better financial decisions and achieve peace of mind. At the same time, when we reflected on our core competencies, we recognized that the deep knowledge and advisory capability of our employees is what we are best known for. By examining our stakeholder's needs, and evaluating our core competencies, we arrived at our new purpose of *Empowering through Knowledge*. Although delivering advice and improving financial literacy have been cornerstones of our operation for many years, as a result of this work, we will want to increase our focus on them going forward.

The work on purpose further allowed us to improve our focus in terms of how we serve our communities. Within the area of Community Impact, we have created four specific pillars around which we will invest for the future: youth engagement, poverty reduction, building strong local economies, and environmental sustainability. It is our intention that within each of the areas we will also look to leverage our purpose of *Empowering through Knowledge*. Throughout the community impact section of this report, we will share more about these important new focus areas.

Finally, as mentioned, 2018 was a year to be proud of from a results perspective. We achieved strong employee and member engagement scores and realized substantial growth in assets and operating income. Below are just a few of the notable highlights from the year:

- Asset growth of 14.7%, putting the organization at over \$442 million in assets at year end
- Deposit growth of 15.2% or \$48.8 million

- Lending growth of 14.9% or \$49.0 million
- Record revenue for wealth management
- Record operating income
- Enhanced opportunities for member feedback
- Implementation of new digital products and services such as Mobile Viewport and Tap n' Go Flash cards
- \$430,000 distributed to members as a share of previous years' profits
- Introduction of employee wellness events addressing stress, activity, and nutrition
- Recognition as a Living Wage employer
- \$26,000 in scholarships awarded
- Partnered with The Co-operators to raise \$15,000 plus awareness for local youth mental health initiatives
- 106 employees participated in Community Impact Day, serving 17 organizations
- Eight grade 12 students completed CULEAD Young Leaders program
- Over \$11,000 distributed in Community Investment Grants

Looking to the year ahead, we will continue to build on the solid foundation that was established in 2018. It will be a milestone year for us as we celebrate our 80th year of doing business as the first credit union in the province. Around us, the financial services industry is rapidly changing, and we will need to continue to evolve for a sustainable future. You can be confident in our dedicated employees, who each and every day put the needs of our members first. As well you have a member-elected Board of Directors committed to the future success of our organization. Together

***Thank you for your membership.***

# Community Impact

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# Community Impact

While 2018 was a year of transition for the organization in terms of leadership, it was also a year of transition for our community impact program. To support our vision to build financially healthy communities, in 2018 we established clear areas of focus to maximize our impact: youth engagement, poverty reduction, building strong local economies, environmental sustainability.

Looking forward to 2019, we will be building programs within each of these four focus areas - some of these will be a continuation of work we've been doing and some of them will be new.

## ENGAGING YOUTH

Our youth are the key to the positive social and economic future of our communities; we believe that it's important that we use our skills to build leadership capacity and financially empower them.

Our annual CULEAD young leaders program gives grade 12 students practical work experience and mentoring from business professionals on a wide range of topics. Over 100 students have participated in the young leaders program since it was established in 2001; in 2018 eight grade 12 students completed the program.

In addition to CULEAD, we offer a robust scholarship program that has supported local students with over \$220,000 in scholarships since 1999. In 2018 we awarded \$26,000. We are particularly proud to offer the Ruth Allan Scholarship - awarded to a First Credit Union member who has demonstrated the capacity to save for and contribute to the cost of their education. It was Ruth Allan, affectionately known as the Credit Union Lady, who, through the original credit union's school-savings program, taught children about the importance of saving. This scholarship honours her legacy, and embodies our purpose - *empower through knowledge*.

First Credit Union is the major sponsor of Leaders in Training on Bowen Island. This program offers an opportunity for youth (12 – 16) to gain knowledge and skills while volunteering with summer day-camps and special events through Bowen Island Community Recreation and other clubs on the island.

Every summer First Credit Union sponsors three youth (ages of 14-18) to attend YES Leadership Camp. The YES (Youth Excellence Society) works to build the skill-set and resiliency of youth all across British Columbia. These week-long leadership retreats help participants develop skills in the areas of self-awareness, co-operation, communication, global awareness, environmental sustainability and leadership.

Recognizing that mental health is a significant issue for youth, in 2018 we partnered with The Co-operators to raise \$15,000 and awareness for local youth mental health initiatives across all of the communities we serve.

Only 17% of BC high school graduates say schools are doing enough when it comes to lessons on spending and saving. In 2018 we trained 10 employees to deliver the Each One Teach One financial literacy program. We will be offering this free workshop series to local schools, where we have an opportunity to improve financial literacy to better set our youth up for future success.

### **POVERTY REDUCTION**

BC has the second highest overall poverty rate in Canada (19%), and the highest senior's poverty rate (8%). Almost 1 in 4 children in Powell River currently live in poverty, and over half of all children in the Comox Valley in single parent families live in poverty. Over the next year, we will figure out how we can leverage our unique capabilities as a credit union to support poverty reduction in our communities; this is important as we work toward our vision of building financially healthy communities.



Community Impact Day



Although this is a new focus for our organization, we have always supported initiatives around poverty alleviation. For example, in 2018 we made donations to local food banks, soup kitchens and community gardens, and participated in the Coldest Night of the Year walk where ten employees raised over \$2,500 for a local emergency shelter. Our new focus is exciting as we shift from poverty alleviation initiatives to understanding root causes and working with community partners towards systemic change.

### BUILDING STRONG LOCAL ECONOMIES

Small businesses and community organizations are at the heart of building strong local economies. Small businesses are integral to the growth of the BC economy, and community organizations create a variety of economic and social benefits.

We support non-profit organizations with a variety of programs and initiatives. In addition to distributing over \$80,000 in donations and Community Investment Grants, in 2018 we celebrated our third annual Community Impact Day, where 106 employees volunteered 318 hours in one afternoon to lend a hand to 17 different community organizations. We were also fortunate enough to be awarded a \$25,000 Concentra Empowering Your Community grant for the Powell River Hospice Society.



PREP Cheque presentation

Looking forward to 2019 we will also be partnering with other organizations to improve access to financing for small businesses start-ups, and social ventures.

### ENVIRONMENTAL SUSTAINABILITY

In 2018 we participated in initiatives like Bike to Work Week, ran an e-statement campaign to reduce the number of paper statements being distributed, and financially supported organizations like the Cumberland Community Forest Society. However, we believe that owe a greater degree of environmental responsibility to our members and our communities. In 2019 we will be looking for ways to be more environmentally conscious in our operations through energy efficiency, recycling and the selection of green building materials in our facilities.

As a member-owned cooperative, commitment to community is at the heart of our business, but we can only do this work with the support of our membership. We'd like to thank our members and clients for doing business with us. As we grow and continue to get stronger, so does our capacity to positively impact our communities.



Jeepapalooza sponsorship

# Auditor's Report

## **Independent Auditor's Report**

*On the Summarized Financial Statements*

### **To the Members of First Credit Union: Opinion**

The summary consolidated financial statements of First Credit Union (the "Credit Union"), which comprise the summary consolidated statement of financial position as at December 31, 2018, and the summary consolidated statements of comprehensive income and cash flows for the year then ended are derived from the audited consolidated financial statements for the year ended December 31, 2018.

In our opinion, the accompanying summary consolidated financial statements are a fair summary of the audited consolidated financial statements.

### **Other Matter**

The summary consolidated financial statements of First Credit Union for the year ended December 31, 2017, were audited by another auditor who expressed an unmodified opinion on those summary consolidated financial statements on March 27, 2018.

### **Summary Consolidated Financial Statements**

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary consolidated financial statements

and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

### **The Audited Consolidated Financial Statements and Our Report Thereon**

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated March 19, 2019.

### **Management's Responsibility for the Summary Consolidated Financial Statements**

Management is responsible for the preparation of the summary consolidated financial statements.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on whether the summary consolidated financial statements are a fair summary of the audited consolidated financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standards (CAS) 810, Engagements to Report on Summary Financial Statements.

**MNP**  
LLP

*Chartered Professional Accountants*

Kelowna, BC

March 19, 2019

# Financial Performance

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## Consolidated Statement of Financial Position

Summary of the Consolidated Statement of Financial Position as at December 31, 2018

ASSETS	2018	2017
Cash and interest-bearing deposits	\$37,647,543	\$30,418,515
Investments	\$6,910,281	\$5,517,348
Members' loans receivable	\$378,096,897	\$329,094,825
Income taxes recoverable	-	\$116,696
Property, plant and equipment	\$4,500,041	\$4,802,822
Intangible assets	\$608,314	\$518,733
Other assets	\$5,715,294	\$5,400,910
Deferred tax assets	\$123,147	-
Derivative assets held for risk management	\$535,045	\$680,842
Investment in associates	\$8,271,774	\$9,186,675
	<b>\$442,408,336</b>	<b>\$385,737,366</b>
LIABILITIES		
Member deposits and accrued interest	\$369,040,289	\$320,240,096
Income taxes payable	\$225,255	-
Trade payables and accrued liabilities	\$1,525,380	\$1,419,279
Secured borrowings	\$39,323,621	\$31,648,415
Finance lease payable	-	\$4,311
Deferred tax liabilities	-	\$153,135
Patronage dividends payable	\$360,000	\$393,870
	<b>\$410,474,547</b>	<b>\$353,859,109</b>
MEMBERS' EQUITY		
Member shares	\$2,441,242	\$2,914,290
Retained earnings	\$27,896,951	\$27,378,164
Contributed surplus	\$1,595,596	\$1,585,803
	<b>\$31,933,789</b>	<b>\$31,878,257</b>
	<b>\$442,408,336</b>	<b>\$385,737,366</b>

## Consolidated Statement of Income

Summary of the Consolidated Statement of Income for the year ended December 31, 2018

	2018	2017
Interest income	\$13,123,532	\$10,770,294
Interest expense	(\$4,794,987)	(\$3,399,972)
Provision for credit losses	(\$80,141)	(\$116,221)
Net interest income after provision for credit losses	\$8,248,404	\$7,254,101
Other income	\$3,293,795	\$3,689,589
Net interest and other income, after provision	\$11,542,199	\$10,943,690
Operating expenses	(\$9,600,475)	(\$9,113,439)
Distribution to members	(\$385,453)	(\$321,392)
Other items	(\$756,792)	(\$148,377)
Net income before income taxes	\$799,479	\$1,360,482
Income taxes	(\$240,581)	(\$309,662)
Net income	\$558,898	\$1,050,820

## Consolidated Statement of Cash Flows

Summary of the Consolidated Statement of Cash Flows, December 31, 2018

	2018	2017
Cash provided by Operating activities	\$3,732,418	\$2,087,429
Cash provided by Financing activities	\$55,896,933	\$21,677,922
Cash provided by Investing activities	(\$52,400,323)	(\$42,491,220)
Increase (decrease) in cash and interest-bearing deposits	\$7,229,028	(\$18,725,869)
Cash and interest-bearing deposits, beginning of year	\$30,418,515	\$49,144,384
Cash and interest-bearing deposits, end of year	\$37,647,543	\$30,418,515

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 FirstCUGroup

 DoSomeGood.ca

Follow us on Facebook, Instagram and Twitter and Do Some Good to discover the impact First Credit Union is having in your community.

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