



OCU
OSOYOOS

**Credit
Union**

2022 ANNUAL REPORT TO MEMBERS

**Initially Delivered at Annual General Meeting
Wednesday, May 17, 2023**

Committed to Community

Osoyoos Credit Union is the financial institution of choice
with competitive products, professional personal service
and a community focus.



A staple of the fall season is the OCU-sponsored Trick or Treat Main Street, an idea that has grown into a much-beloved Osoyoos tradition.

Investing in our community — and our future

OSOYOOS CREDIT UNION'S Community Giving Fund supports local non-profit organizations and community groups with projects and initiatives that contribute to economic revitalization and improved quality of life, while breaking down barriers in order to help families achieve economic success and enhanced quality of life.

In 2022, OCU delivered \$72,500 in grant funding to 33 organizations in the South Okanagan, West Boundary and Similkameen.

Those organizations included:

- Desert Sun Counselling and Resource Centre Society
- Desert Valley Hospice
- Osoyoos & District Arts Council
- Osoyoos Desert Society
- Osoyoos Secondary School PAC
- WANA & Osoyoos Artisan Market
- Boundary Secondary School PAC
- South Okanagan Secondary School PAC
- Similkameen Elementary Secondary School PAC
- Osoyoos Food Bank
- Oliver Food Bank
- Kettle River Food Share
- Osoyoos Skating Club
- Desert Pickleball Club
- Gleaners
- Kettle Wildlife Association
- OSS Transportation Society
- Rock Creek & Boundary Fair Association
- Rotary Club of Osoyoos
- School District Food Program
- Kiwanis
- Okanagan Gleaners
- SD53 Food Program
- Tumbleweed Spirits
- Osoyoos Lake Paddle Club
- Royal Canadian Legion Father's Day Golf Tournament
- Osoyoos Fireworks
- JRC Jamboree
- Oliver Elementary School
- Osoyoos Secondary School Grad
- ntmqen snm'a?m'aya?tn School
- Osoyoos Senior Centre
- Trails to the Boundary

Osoyoos Credit Union Bursary and Scholarship Applications

Osoyoos Credit Union has a long standing history of helping aspiring youth of our local communities to further their education by providing Bursaries and Scholarships.

Osoyoos Credit Union's Event Trailer

The OCU Event Trailer is a community resource for non-profits and fundraising groups to use at events. The trailer includes a tent, propane BBQ, popcorn machine and tables.

Building prosperity in our local communities

Being community-driven to us also means finding ways to support local businesses and growth of the cities or towns of which we're a part.

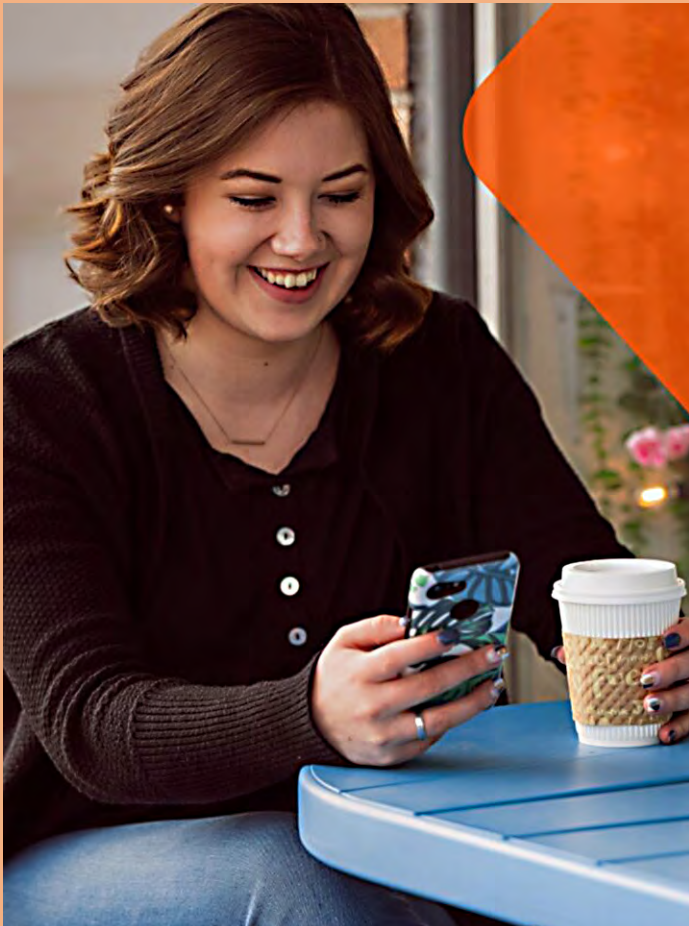


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The Annual Report is also available in digital format on the Osoyoos Credit Union’s website at ocubc.com

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Email. contact@ocubc.com



Osoyoos Credit Union
is a Living Wage Employer

‘Together we’re Better’

We have achieved what we have not only from our experience and talent but also by actively engaging and supporting the communities of which we are part.

When our members come in to see us, we’re more than just another smiling face behind a desk. We get to know them, their needs, and how to best guide them to the success we want to help them achieve.

Together we’re Better means being attentive and expanding the cooperative spirit between our members, our team, and the connections we build and grow within every town and city in which we’re located.

Our Values:

- Community:** We care about taking an active role in supporting local causes and programs however we can. This not only means volunteering but also actively looking for new ways to help others of all walks of life in the community.
- Accountability:** We’re committed to helping our members succeed in their financial goals—whether they’ve just signed on or have been a member for many years. When we come to work, we take pride in being as prepared and accurate as possible to provide useful, actionable advice to our members.
- Professionalism:** The financial world can be complicated for a lot of people, but we care about staying on top of it ourselves and making it understandable to others. We take into account that our members are our clients, but they are also people with their own lives, goals, and challenges.

Independence: Coming to work, we care about taking responsibility to suss out answers to our questions or challenges. We invest in both our members and the environment through building relationships and finding opportunities to be sustainable respectively.



Branch locations

- | | |
|---|---|
| Osoyoos Main Office 8312 Main St Tues – Fri: 9:30 a.m. – 5 p.m. Sat: 9:30 a.m. – 2:30 p.m. Sun – Mon: Closed | Rock Creek (3990 Highway 3) Wed & Fri – 9:30am – 5pm |
| | Oliver (1006 McKinney Road) Wed & Fri – 9:30am – 5pm |
| | Keremeos (715 7th Street) Tues & Thurs – 9:30am – 5pm |

CEO's Report



GROWTH IS ON my mind today as I report yet another successful year for the Osoyoos Credit Union.

This is my eighth report to you and I am proud to say your OCU team makes it easier for me each year to report the growth we are experiencing.

If I might talk about us being a lot younger than our 75-plus years, **we are growing up.**

I'm pleased to report many of our financial indicators are on positive trajectories. The Credit Union's total assets increased to \$205 million in 2022 — up almost 11 percent — from \$182.8 million the previous year. This substantial increase in total assets is a recurrent trend for OCU. Our assets have increased almost \$60 million over the last four years.

Similarly, Member Deposits increased by more than \$24 million last year, growing to more than \$194 million from \$135 million in 2019.

That growth doesn't come without its challenges. Our operational expenses are also up and the regulatory requirements to which we have to adhere are expanding. That means additional reporting for our financial team, increased monitoring and a move to formalizing much of what we do.

We're growing into the digital age. In February, we provided increased protection for member accounts and transactions with the implementation of a Strong Password protection policy.

I'm sure you've all become quite familiar with strong PACs over the last couple of months, changing your MemberDirect

and Mobile app passwords to ensure they include at least nine characters, capital and lower-case letters and even a symbol or two.

I know there are some of you who were asking us, "You want me to do what?" There's no question this rocked a few people, but we continue to evolve. The strong passwords are designed so that even software programs would have a tough time "cracking" your accounts, keeping you safe from data breaches and identity theft.

Very shortly we plan to add another level of security, introducing two-factor authentication that is part of the significant investment we're making to ensure both and safety and security of the data we store and the services we provide.

We're growing into other communities. Over the last year, following the very successful launch of a satellite office in Rock Creek, we've added two more branch locations — in Oliver and Keremeos.

We are engaging with these communities and looking for ways to support the not-for-profits, local businesses and even governments in the things that they are doing. Our team is asking, "How can we help them do what they do so well, and do it even better?"

Keremeos is a good example of that. We've rented two offices at the Lower Similkameen Community Services Society building. We use one two days a week to provide financial services in the community and we maintain the other so that we can support the activities that are beneath the community umbrella.

The Oliver branch is a partnership with the Osoyoos Indian Band; we have renovated some of their old band offices to house OCU and community partners.

Similar activities are taking place in Rock Creek.

Finally, with our commitments to the South Okanagan, Similkameen and West Boundary communities, **we're growing a sense of belonging.**

The entire OCU team has developed a deep connection to the members we serve. We talk about this all the time — it's the first thing we consider at the start of every team meeting, one-on-one coaching or urban huddle: we talk about our values and our mission and the purpose we have, which is fulfilling dreams.

Every one of the staff has taken that vision and mission to heart. If we have a senior come into the branch and if they're on foot and they've just bought groceries, there's a good chance someone is going to offer to drive them home.

Similarly, if a member can't get into one of our branches for a discussion, team members are ready to put on a coat and meet over the hood of a vehicle.

Your Osoyoos Credit Union is expanding, is growing, is maturing. But my commitment to you as members is this: we will never forget that we are here to serve you.

We say it often, but we always say it with pride. Together we're better. It's that simple and that substantial.

Greg Sol
Chief Executive Officer



Strong PAC comes to OCU

THE SAFETY and security of our members is our top priority.

That's why we've implemented a Strong PAC protocol for accessing online services.

A Strong PAC strengthens your current password (PAC) by adding certain requirements, like uppercase and lowercase letters, numbers and special characters.

Your PAC is the password you use to access online banking or your mobile banking app.

Your new PAC will now need to be a combination of capital letters, lowercase letters, numbers and symbols, including:

- 9 to 30 characters.



- Upper case letters (capital) letters. (Examples: A,E,R)
- Lowercase (small) letters. (Examples; a, c, m)
- Numbers. (Examples: 2, 4, 7)
- Symbols and special characters. (Including – . , # : ? | () ^ \ / @ \$!)

The change to a Strong PAC took place on February 21.

However, if you have not already changed your password to the Strong PAC standard — or want to change it

again — you can do so at any time through MemberDirect or your mobile app.

When you first change your password from numerical to Strong PAC, a message will pop up on your screen when you visit MemberDirect. The message will tell you the new password requirements.

To change your PAC in the mobile app, login to your account. Select “Settings,” and then “Change Personal Access Code.” This will bring you to a screen where you can change your password.

The new password requirements will be outlined when you change your password.

If you need assistance, please do not hesitate to ask in-branch.

Board of Directors

Director Attendance

| | Annual General Meeting | Strategic Thinking | Strategic Planning | Audit | Community Giving | Conduct Review | Credit | Governance | Human Resources | Investment Lending | Peer Group | IT Governance | Nomination | |
|------------------|------------------------|--------------------|--------------------|-------|------------------|----------------|--------|------------|-----------------|--------------------|------------|---------------|------------|------------|
| Alan Bajkov | ✓ | ✓ | ✓ | ✓ | | | ✓ | ✓ | © | ✓ | ✓ | | | 94.0 hours |
| Diana Thomas | ✓ | ✓ | ✓ | © | | | ✓ | ✓ | | ✓ | ✓ | ✓ | | 90.7 hours |
| Leo Callarec | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | © | | | ✓ | | | 88.9 hours |
| Kathryn Gudewill | ✓ | ✓ | ✓ | ✓ | | | ✓ | | ✓ | © | ✓ | | | 92.3 hours |
| Zachary Poturica | ✓ | ✓ | | | | © | ✓ | | | | | ✓ | | 38.5 hours |
| Althea Raum | ✓ | | ✓ | ✓ | © | | | | | ✓ | ✓ | ✓ | | 85.0 hours |
| JF Launier | ✓ | | | ✓ | ✓ | | | | | ✓ | | ✓ | | 26.5 hours |
| Joanne Muirhead | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | 73.8 hours |

Notations under assignments represent committee membership. Committee chairpersons are designated with a ©.

Message from the Chair

HELLO, EVERYONE, it's a pleasure to provide comments on behalf of the Board of Directors for the 2022 calendar year.

The Board of Directors has had a very busy year encouraging and supporting change at OCU.

We begin each year by updating and continuing our education. Some courses are mandated by our regulator and others are personal education goals. Each course completed gives the Directors



and Board the resources to make better informed decisions on behalf of the members.

Continuing with our ongoing growth strategy, we have completed our expansion to Oliver and Keremeos. We are very excited to have the opportunity to provide our services to our members in four separate communities and expand our membership and community involvement in these areas.

The Board of Directors continues its commitment to representing all of our members.

Whether it is during a Board meeting, a Committee meeting, a strategic planning session, meeting with Internal and External Auditors, meeting with our

peers throughout the province or a casual conversation with our members, we always have your best interests in mind.

The Board of Directors would like to thank you, our members, for allowing us the opportunity to represent you.

The Board of Directors would also like to thank our wonderful staff. They have committed to the many changes in technology, regulations and education. They have been working hard to make OCU "the financial institution of choice."

So, Members, Staff and Board, "Together we are Better."

Thank you.

Alan Bajkov
Board Chairperson



Alan Bajkov
Chairperson

Committee Assignments:
Human Resources (Chair)
IT Governance (Chair)
Credit, Audit



Diana Thomas
Vice-Chairperson

Committee Assignments:
Credit, Governance,
IT Governance



Leo Callarec

Committee Assignments:
Governance (Chair)
Credit, Human Resources



Kathryn Gudewill

Committee Assignments:
Investment Lending (Chair)
Credit, Human Resources



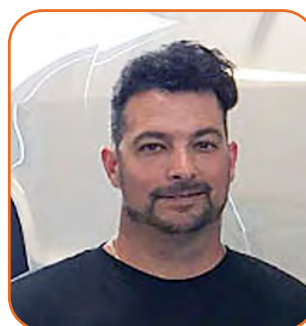
Althea Raum

Committee Assignments:
Community Giving (Chair)
Investment Lending
IT Governance



Zachary Poturica

Committee Assignments:
Conduct Review (Chair)
Audit, Credit
IT Governance



JF Launier

Committee Assignments:
Community Giving
Investment Lending



Joanne Muirhead

Committee Assignments:
Conduct Review,
Governance, Credit
Human Resources,
Investment Lending

At OCU, commitment to values, mission begins with our Directors

OSOYOOS CREDIT UNION is governed by a volunteer Board of Directors elected by membership. The Directors are engaged in general and specific duties, including attending regular board meetings and more occasional committee meetings.

In total, the Directors provided the Credit Union and its membership a combined 585 hours of service, serving on a number of committees, — including Audit, Community Giving, Conduct Review, Credit, Governance, Human

Resources, Investment Lending and Peer Group — and attending Peer Group, Strategic Planning and Strategic Thinking sessions.

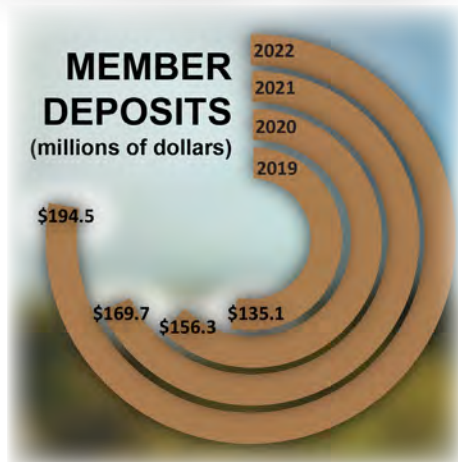
With an emphasis on the local economy, our Directors strive to represent those who elected them by meeting members' needs through the friendly and local resources an independent credit union can provide.

In 2022, the Board of Directors received a combined \$32,000 in compensation for their service.

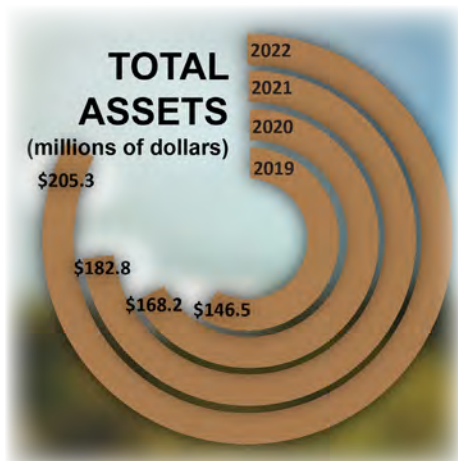


Business Analysis

A closer look



Member deposits have increased substantially year-after-year, growing to more than \$194 million in 2022 from \$135 million in 2019.



The Osoyoos Credit Union's Total Assets are on a similar trajectory, growing to more than \$205 million in 2022 from \$146.5 million in 2019.

ALTHOUGH financial institutions provide information in table format, the numbers do not always provide the full story of an organization's performance.

This business analysis is a supplement to the provided financial statements, offering an improved view of Osoyoos Credit Union's performance in 2022 and additional explanation where warranted.

This document provides financial statements. Notes included in the various Independent Auditor's Report — not attached to this document — are an integral part of these financial statements.

As well, the Credit Union adopted amendments to the following standards, effective January 1, 2022. Adoption of these amendments had no effect on the Credit Union's financial statements.

- IAS 1 Presentation of financial statements
- IAS 16 Property, plant and equipment
- IAS 38 Intangible assets

For additional explanation of these changes, please contact OCU staff to arrange for a personal consultation.

Financial Performance

The Credit Union's total assets increased to \$205,272,518 in 2022 — almost 11 percent — from \$182,830,859 the previous year. The substantial increase in total assets is a recurrent trend for OCU. Total assets have increased almost \$60 million over the last four years.

Revenue Generation

The Osoyoos Credit Union's principal revenue generation activity is Interest Income.

It recorded \$4,001,924 in interest on member loans and an additional \$1,647,927 on investments and deposits.

Conversely, the Osoyoos Credit Union paid \$1,624,230 in interest on member deposits.

The Credit Union had other income

— from service charges, loan fees and other penalties and commissions — totalling \$728,167.

Cash Resource

The Credit Union's cash resources — defined as cash on hand, deposits with Central 1 Credit Union Ltd. and balances held within investment portfolios — improved to \$13,177,325 in 2022, an increase of \$1,754,118 from 2021.

Investments

OCU's investments increased to \$65,742,425 in 2022 from \$58,232,082 the previous year.

Those investments are heavily weighted in Portfolio opportunities, with almost \$56 million held in commercial bonds.

An additional \$6.6 million is held in term deposits.

The Osoyoos Credit Union also holds a number of equity investments totaling about \$2.08 million.

Member Loans

The largest portion of the asset increase is structured on loans to members, mostly in mortgages. Outstanding member loans — mortgages, and consumer and commercial loans — increased to more than \$122.1 million in 2022. That is an increase of \$12.45 million from \$109.68 million in 2021.

The vast majority of OCU's lending is considered low-risk.

Member Deposits

Member Deposits increased by \$24,299,072 in 2022.

Term Deposits account for about \$79.5 million of total deposits. Demand deposits totaled about \$79 million.

Administrative Expenses

The Credit Union's administrative expenses in 2022 increased to \$1.53 million from \$1.33 million in 2021.

Operational Expenses

Employee salaries and benefits ac-

77

Number of Years
OCU has operated in Osoyoos

3,915

Number of Members
in 2022

457

Member Organizations
in 2022

Business Analysis



Board members Alan Bajkov, Diana Thomas, Leo Callarec and Joanne Muirhead provide service at an OCU-sponsored barbecue.

counted for \$1.85 million — about 47 per cent — of the Credit Union's \$3.91 Operational budget.

Occupancy and equipment totalled \$174,390 and depreciation of property, plant and equipment an additional \$135,232.

Deposit insurance costs were \$129,886 in 2022.

Contractual obligations

The Credit Union has a commitment to acquire on-line data processing services through Open Solutions Canada that expires in December 2028. The fixed annual payments for core-contracted services is \$95,828 plus a variable charge based on use. The total charge for the year was \$97,530 (2021 - \$290,355).

The Credit Union has a commitment to lease equipment and have IT services provided through F12.net that expires in October 2025.

There are no fixed payments for this contract, and variable charges are based on the amount of equipment leased and the amount of IT support provided. The

total charge for the year was \$115,959.68 (2021 - \$103,524).

Key Management Personnel

The Credit Union has transactions with key management personnel, defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, including directors and management personnel, along with their close family members.

In 2022, that included \$381,417 in salaries and other short-term employee benefits and an additional \$12,950 in total pension and other post-employment benefits.

The Credit Union's policy for lending to key management personnel is that the loans are approved and accepted on the same terms and conditions which apply to members for each class of loan.

Net Income

Net income for 2022 totalled \$691,318, down from \$1,081,783 in 2021.

Term Deposits

| | |
|----------------------------------|------------------|
| Due April 1 - Dec 31, 2023 | 3,474,110 |
| Due more than one year in future | 3,100,000 |
| Accrued Interest | 35,277 |
| Total | 6,609,387 |

Portfolio Investments

| | |
|------------------|-------------------|
| Commercial Bonds | 55,991,777 |
| Accrued Interest | 292,741 |
| Total | 57,053,945 |

Equity Investments

| | |
|-----------------------------------|------------------|
| Central 1 Shares (Class A) | 53,417 |
| Central 1 Shares (Class E) | 35 |
| Stabilization Credit Union Shares | 141 |
| Truvera Mortgage Investment | 2,025,500 |
| Total | 2,079,093 |

Liquidity reserve deposit

The Credit Union must maintain liquid reserve deposits at 8% of total member deposits at December 31 each year.

The deposits can be withdrawn only if there is sufficient reduction in the Credit Union's total member deposits or upon withdrawal of membership from Central 1.

Central 1 is the central financial association for the British Columbia and Ontario Credit Union systems

Investment in shares of Central 1 is required by governing legislation and as a condition of membership in Central 1.

\$194.5m

Member Deposits
in 2022

\$205.3m

Osoyoos Credit Union
Assets in 2021

\$691,318

Net Income
in 2021



Auditor's Report

To the Members of Osoyoos Credit Union:

Opinion

We have audited the financial statements of Osoyoos Credit Union (the "Credit Union"), which comprise the statement of financial position as at December 31, 2022, and the statements of income, comprehensive income (loss), changes in members' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2021, and its financial performance and its 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 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 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 Financial Statements

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

In preparing the financial statements, management is responsible for assess-

ing 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Kelowna, British Columbia

March 23, 2023

MNP LLP

Chartered Professional Accountants

Financial Position



Osoyoos Credit Union Statement of Financial Position

As of December 31, 2022, with comparative information for 2021

| | 2022 | 2021 |
|--|--------------------|--------------------|
| Assets | | |
| Cash | 13,177,325 | 11,423,207 |
| Investments (Note 5) | 65,742,425 | 58,232,082 |
| Members' loans receivable (Note 15) | 122,135,509 | 109,681,756 |
| Income taxes recoverable (Note 6) | 557,259 | |
| Advances to related party | | 70,000 |
| Property, plant and equipment (Note 7) | 2,688,373 | 2,340,100 |
| Intangible assets (Note 8) | 256,547 | 230,430 |
| Other assets (Note 9) | 502,838 | 514,626 |
| Investment property (Note 10) | 212,242 | 338,658 |
| | 205,272,518 | 182,830,859 |
| Liabilities | | |
| Member deposits (Note 11) | 194,483,465 | 169,674,096 |
| Income taxes payable (Note 6) | | 158,738 |
| Other liabilities | 569,081 | 668,782 |
| Derivative financial instruments | 526,281 | 19,807 |
| Lease liabilities (Note 13) | 133,085 | |
| Deferred tax liabilities (Note 6) | 16,764 | 82,428 |
| Patronage dividends payable | 9,059 | 18,310.00 |
| Member Shares (Note 12) | 700,754 | 1,037,537 |
| | 196,438,489 | 171,659,698 |
| Members' equity | | |
| Member shares (Note 12) | 217,594 | 139,467 |
| Retained earnings | 11,709,291 | 11,017,973 |
| Accumulated other comprehensive income | (3,092,856) | 13,721 |
| | 8,834,029 | 11,171,161 |
| | 205,272,518 | 182,830,859 |

Statement of Comprehensive Income

| | 2022 | 2021 |
|---|--------------------|------------------|
| Net Income | 691,318 | 1,081,783 |
| Other Comprehensive Income | | |
| Items that will be reclassified subsequently to profit or loss | | |
| Unrealized gains on portfolio investments, net of tax | (2,629,300) | 30,684 |
| Unrealized losses on derivative financial instruments, net of tax | (477,277) | (16,963) |
| Other comprehensive income (loss), net of income tax | (3,106,577) | 13,721 |
| Total comprehensive income (loss) | (2,415,259) | 1,095,504 |

To the Members of Osoyoos Credit Union:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the statements.

This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report.

The Audit Committee has the responsibility of meeting with management, internal auditors, and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues.

The Committee is also responsible for recommending the appointment of the Credit Union's external auditors.

MNP LLP is appointed by the members to audit the financial statements and report directly to them; their report follows.

The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.



Financial Position

Statement of Cash Flows

For the year ended December 31, 2022

| | 2022 | 2021 |
|---|---------------------|---------------------|
| Cash provided by (used for) the following activities | | |
| Operating activities | | |
| Interest received from members' loans | 3,949,028 | 3,473,630 |
| Interest and dividends received from investments | 1,517,394 | 1,980,901 |
| Fees, commissions and miscellaneous income received | 728,258 | 711,300 |
| Cash paid to suppliers and employees | -3,813,647 | -3,529,275 |
| Interest paid on deposits | -1,234,491 | -1,330,428 |
| Patronage and dividends paid | -16,288 | -485 |
| Income taxes paid | -459,165 | -75,922 |
| | 671,089 | 1,229,721 |
| Financing activities | | |
| Net change in member deposits | 24,299,072 | 13,761,365 |
| Net change in member shares | -258,656 | -196,969 |
| | 24,040,416 | 13,564,396 |
| Investing activities | | |
| Net change in members' loans receivable | (12,412,023) | (11,981,553) |
| Repayments from related parties | 70,000 | |
| Purchases of investments | (10,282,289) | (2,721,172) |
| Purchases of property, plant and equipment | (363,861) | (42,383) |
| Purchases of intangible assets | (66,214) | (183,847) |
| Proceeds on disposal of investment property | 97,000 | 58,999 |
| | (22,957,387) | (14,869,956) |
| Increase (decrease) in cash resources | 1,754,118 | (75,839) |
| Cash resources, beginning of year | 11,423,207 | 11,499,046 |
| Cash resources, end of year | 13,177,325 | 11,423,207 |

Statement of Changes in Members' Equity

For the year ended December 31, 2022

| | Member shares | Retained earnings | Accumulated other comprehensive income | Total equity |
|---|----------------|-------------------|--|------------------|
| Balance December 31, 2020 | 158,524 | 9,936,190 | - | 10,094,714 |
| Comprehensive Income | - | 1,081,783 | - | 1,081,783 |
| Net change in member shares | (19,057) | - | - | (19,057) |
| Unrealized gains on portfolio investments, net of tax | | | 30,684 | 30,684 |
| Unrealized losses on derivative financial instruments, net of tax | | | (16,963) | (16,963) |
| Balance December 31, 2021 | 139,467 | 11,017,973 | 13,721 | 11,171,161 |
| Comprehensive Income | - | 691,318 | - | 691,318 |
| Net change in member shares | 78,127 | - | - | 78,127 |
| Unrealized gains on portfolio investments, net of tax | | | (2,629,300) | (2,629,300) |
| Unrealized losses on derivative financial instruments, net of tax | | | (477,277) | (477,277) |
| Balance December 31, 2022 | 217,594 | 11,709,291 | (3,092,856) | 8,834,029 |



Member Deposits

The Credit Union had the following member deposits at end of year:

Demand Deposits

| 2022 | 2021 |
|------------|------------|
| 79,004,906 | 95,876,929 |

Term Deposits

| 2022 | 2021 |
|------------|------------|
| 79,524,264 | 44,580,161 |

Registered Plans

| 2022 | 2021 |
|------------|------------|
| 34,968,071 | 28,728,999 |

Dormant Accounts

| 2022 | 2021 |
|--------|--------|
| 28,514 | 38,828 |

Non-equity Shares

| 2022 | 2021 |
|--------|--------|
| 26,332 | 28,099 |

Accrued Interest

| 2022 | 2021 |
|---------|---------|
| 931,378 | 421,080 |

Included in registered plans are retirement savings plans, retirement income funds, educational savings plans, and tax free savings accounts.

As a condition of membership, which is required to use the services of the Credit Union, each member is required to hold a certain amount of membership shares.

Financial Position



Administrative Expenses

| | 2022 | 2021 |
|-----------------------------|------------------|------------------|
| Advertising and Promotion | 156,856 | 126,854 |
| Annual General Meeting | 4,791 | 1,547 |
| Bank Charges | 87,564 | 77,679 |
| Data Processing | 352,702 | 343,784 |
| Education and Travel | 99,438 | 69,304 |
| Insurance | 28,969 | 26,846 |
| Investment Property Expense | 50,454 | 43,854 |
| Office | 89,926 | 57,882 |
| Other Expenses | 317,555 | 282,523 |
| Professional Fees | 305,573 | 268,254 |
| Scholarships | 6,500 | 8,000 |
| Telephone | 34,252 | 27,011 |
| | 1,534,580 | 1,333,538 |

Lease Liabilities

| | 2022 | 2021 |
|--|---------|------|
| Maturity analysis — contractual undiscounted cash flows | | |
| Less than one year | 28,380 | - |
| One to five years | 72,285 | - |
| More than five years | 52,000 | - |
| Total undiscounted lease liabilities at Dec. 31, 2022 | 152,665 | - |
| Discounted lease liabilities included in the statement of financial position | 133,085 | - |
| Current | 27,767 | - |
| Non-current | 105,318 | - |

Interest expense on lease liabilities

| 2022 | 2021 |
|-------|------|
| 1,247 | - |

The Credit Union leases buildings for some of its ATM locations. These leases span periods of one to five years and include several options to renew the lease for an additional one to five years after the end of the initial contract term.

Statement of Income

For the year ended December 31, 2022

| | 2022 | 2021 |
|---|------------------|------------------|
| Interest revenue | | |
| Interest on member loans | 4,001,924 | 3,469,859 |
| Interest on investments and deposits | 1,647,927 | 1,894,021 |
| | 5,649,851 | 5,363,880 |
| Interest expense | | |
| Interest on member deposits | 1,624,230 | 1,099,029 |
| | 1,624,230 | 1,099,029 |
| Net interest income | 4,025,621 | 4,264,851 |
| Impairment losses (recovery) on member loans (Note 16) | 11,166 | -6,215 |
| Financial Margin | 4,014,455 | 4,271,066 |
| Other Income | 728,167 | 721,480 |
| | 4,742,622 | 4,992,546 |
| Operating expenses | | |
| Amortization of intangible assets (Note 8) | 40,097 | 66,377 |
| Deposit insurance | 129,886 | 83,710 |
| Depreciation of property, plant and equipment (Notes 7, 10) | 135,232 | 266,291 |
| Director and committee expense | 32,000 | 42,517 |
| Distribution to (recovery from) members (Note 12) | 7,037 | 12,000 |
| Employee salaries and benefits | 1,854,878 | 1,742,094 |
| Occupancy and equipment | 174,390 | 149,405 |
| Operating and administrative expense (Note 14) | 1,534,100 | 1,333,538 |
| | 3,908,100 | 3,695,932 |
| Operating income | 834,522 | 1,296,614 |
| Other income (expense) | | |
| Gain on disposal of property, plant and equipment | | 2,016 |
| Gain arising on fair value of derivative financial instrument | 25,189 | 149 |
| Loss on disposal of investment property | -25,098 | -12,343 |
| Income before income taxes | 834,613 | 1,286,436 |
| Provision for (recovery of) income taxes (Note 6) | | |
| Current | 208,959 | 215,577 |
| Deferred | (65,664) | (10,924) |
| | 143,295 | 204,653 |
| Net income for the year | 691,318 | 1,081,783 |



Financial Position

Additional Consumer Items of Interest

Member Loans

Osoyoos Credit Union has the following commitments to its members in loans, unused lines of credit and letters of credit, and off-balance sheet loans granted through the Canada Emergency Business Account, which are guaranteed by the Government of Canada

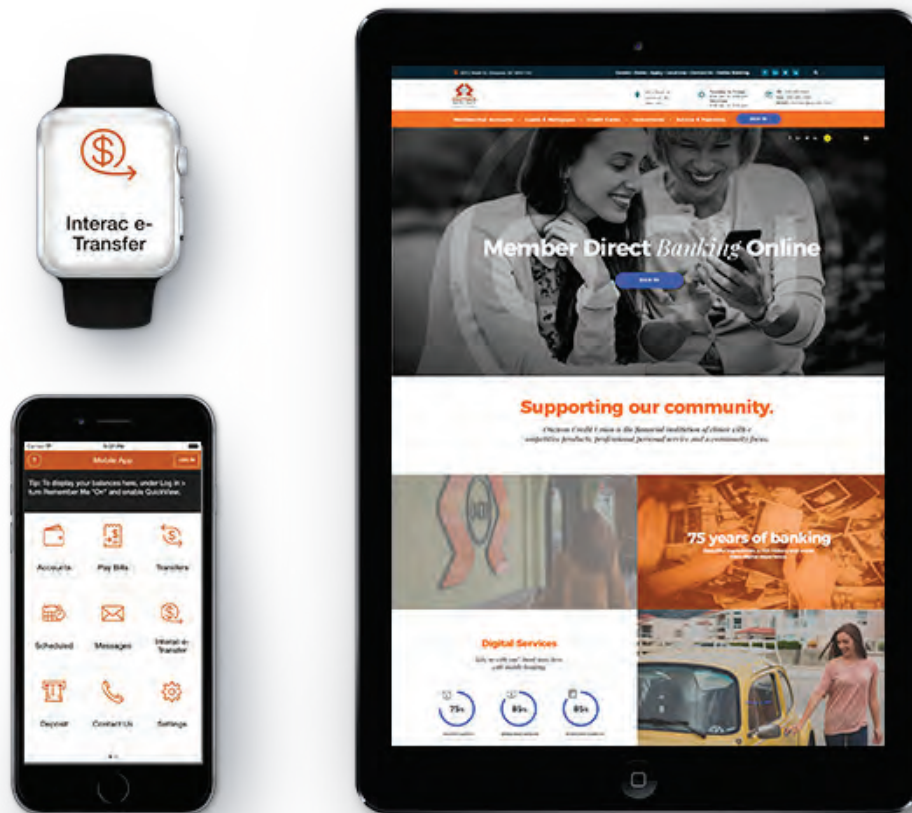
| | 2022 | 2021 |
|---|-------------------|-------------------|
| Unadvanced Loans | 2,340,489 | 4,094,127 |
| Unused Lines of Credit | 19,547,387 | 18,722,894 |
| Letters of Credit | 69,189 | 69,189 |
| Off-balance sheet loans granted through Canada Emergency Business Account | 2,550,000 | 2,840,000 |
| | 24,617,065 | 25,725,210 |

Consumer Mortgages

| | 12-month ECL | 2022 Lifetime ECL (not credit impaired) | Lifetime ECL (Credit impaired) | Total |
|-----------------------------|--------------|--|--------------------------------------|------------|
| Low Risk | 88,833,888 | - | - | 88,833,888 |
| Medium Risk | - | 205,172 | - | 205,172 |
| Default | - | - | 2,559 | 2,559 |
| Total gross carrying amount | 88,833,888 | 205,172 | 2,559 | 89,041,619 |
| Less Loss Allowance | 23,712 | 143 | 2,451 | 26,306 |
| Total Carrying Amount | 88,810,176 | 205,029 | 108 | 89,015,313 |

Consumer Loans

| | 12-month ECL | 2022 Lifetime ECL (not credit impaired) | Lifetime ECL (Credit impaired) | Total |
|-----------------------------|--------------|--|--------------------------------------|-----------|
| Low Risk | 8,004,411 | - | - | 8,004,411 |
| Medium Risk | - | 145,674 | - | 145,674 |
| Default | - | - | 2,287 | 2,287 |
| Total gross carrying amount | 8,004,411 | 145,674 | 2,287 | 8,152,372 |
| Less Loss Allowance | 9,007 | 111 | 2,191 | 11,309 |
| Total Carrying Amount | 7,995,404 | 145,563 | - | 8,141,063 |



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Our Vision

**We are the heart of Co-operative Finance,
creating enduring legacies.**

Our Mission

**We are the heart of Co-operative Finance,
creating enduring legacies and fulfilling dreams through accountability,
professionalism, independence, and community spirit.**