



2023

# ANNUAL REPORT

## **COMMITTED TO COMMUNITY**

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



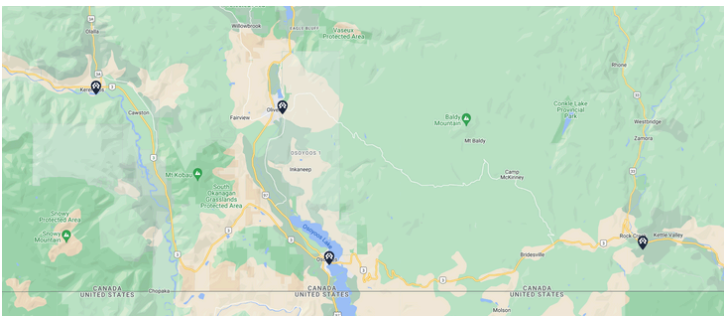
# NOW SERVING YOU WITH FOUR LOCATIONS

For 78 years, the Osoyoos Credit Union (OCU) has been an integral part of the Osoyoos community. We stand tall, not just as a financial institution, but as a trusted partner in your financial journey. Our roots run deep, and we take immense pride in serving our members with dedication and integrity.

OCU extends its reach beyond Osoyoos. We are honoured to be the sole financial institution serving the vibrant community of Rock Creek. Nestled along the Kettle River, Rock Creek holds a special place in our hearts. Our commitment to Rock Creek goes beyond transactions; it's about fostering relationships and supporting dreams.

As we step into meaningful reconciliation efforts, we acknowledge that our presence in Oliver, Osoyoos, Keremeos and Rock Creek rests on the traditional lands of the Osoyoos Indian Band and the Lower Similkameen Indian Band. We are committed to building bridges, understanding cultural nuances, and creating opportunities for mutual growth. Together, we celebrate diversity and honor the rich heritage of this land.

In Keremeos, OCU stands shoulder to shoulder with both non-profit and for-profit businesses. Our financial expertise fuels entrepreneurship, enabling local businesses to thrive. We believe that a prosperous business community contributes to the overall well-being of our members.



## Branch Locations

**Osoyoos Main Branch**  
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

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*The Annual Report is also available online at [ocubc.com](http://ocubc.com)*



# Together we’re Better



# REPORT FROM CEO GREG SOL

As we gather for our 2023 Annual General Meeting, we reflect on a year that tested our resilience and reaffirmed our dedication to your financial security. The global economic landscape was fraught with uncertainty, yet OCU navigated these challenges with prudence and care.

In 2023, we made a conscious decision to prioritize sound financial advice over aggressive asset growth. While our assets did not experience significant expansion, this deliberate approach enabled us to offer personalized guidance to our members during these uncertain times. We firmly believe in safeguarding your financial well-being, especially in the face of economic turbulence.

## Economic Environment

The rapid and pronounced increase in interest rates presented a significant challenge for OCU. As rates surged, our income streams faced pressure. The magnitude of these rate hikes caught many financial institutions off guard, and we were no exception. Nevertheless, we remained steadfast in our commitment to transparency and proactive communication with our members.

Shifts in our members' behaviour presented unique challenges. We observed a move from demand accounts to term deposits, with many members wisely securing rates before the interest rate surge. This led to higher interest expenses for us, while our interest income remained relatively flat. Despite the financial impact to our bottom line, we understand that these decisions were made with our members' best interests in mind.

Some of our financial indicators bear sobering news. Our net income for 2023 is negative, reflecting the complexities of the economic environment. However, let us view this as a temporary setback—a momentary dip on our journey toward long-term sustainability.

Despite these challenges, Osoyoos Credit Union stands on solid ground. Our capital reserves remain robust, ensuring our ability to weather storms and continue serving you, our valued members. We are confident that our prudent approach will pay dividends in the long run.

## Digital Transformation and Cybersecurity

At OCU, we understand the importance of embracing digital transformation to stay relevant. Our commitment to your financial needs extends beyond traditional banking hours, and this annual report will detail how we're securing your financial future and preparing for what lies ahead.

This past year we fortified our online banking security by introducing Dual Factor Authentication (2FA). This extra layer of security ensures that even if someone steals your password, they can't access your account without the code. Our transition from a legacy MemberDirect online platform to a new, modern system is underway. By the end of 2024, you'll experience a seamless, user-friendly interface.

This upgrade enhances security, streamlines processes, and opens doors to innovative features.

OCU takes cybersecurity seriously. Recent IT audits have positioned us favorably against NIST (National Institute of Standards and Technology) standards. Our internal systems undergo rigorous testing to ensure your personal data and financial transactions remain confidential. Rest assured, your trust is our priority.

The future of payments is also under significant change. Real-Time Rail (RTR) is Canada's leap into instant payments. Imagine transferring money to a friend, paying bills, or settling transactions instantly—24/7. OCU is working with Central 1 on this transformative journey. The RTR will revolutionize how we move money, making it faster, data-rich, and secure.

Open banking is a global trend. It empowers you to share your financial data securely with authorized third parties. Imagine accessing all your accounts—bank, investments, and more—from a single app. OCU is closely monitoring regulatory developments to ensure we're ready when open banking arrives.

## Community Engagement and Expansion

For 78 years, OCU has been an integral part of the Osoyoos community, serving as a trusted partner in your financial journey. Our dedication extends beyond Osoyoos, with satellite branches in Rock Creek, Oliver, and Keremeos.

Our expansion into these communities has not been without challenges, especially in human resources and staffing. We're dedicated to building a skilled, motivated team that shares our vision, ensuring top-notch service for you, our valued members. While growth has its bumps, including vendor delays and vandalism, we persevere, learning from each obstacle and growing stronger.

OCU is more than a financial institution; we are woven into the fabric of our communities. By partnering with local organizations, schools, and cultural centers, we foster a sense of belonging. Together, we create value—from scholarships for students to supporting community events.

OCU remains committed to your financial well-being. As we navigate challenges and celebrate milestones, we invite you to join us on this remarkable journey.

**Thank you for  
being part of our  
OCU family.**



**Greg Sol**  
Chief Executive Officer





# BOARD OF DIRECTORS

OCU 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 541 hours of service, serving on a number of committees, — including Audit, Community Giving, Conduct Review, Credit, Governance, Human Resources, Investment and Lending, and IT Governance.

They participate in regional Peer Group meetings twice a year and attend an annual strategic planning session. 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 2023, the Board of Directors received a combined \$42,250 in compensation for their service.



**Diana Thomas**  
Chairperson  
Committee Assignments:  
Human Resources (Chair)  
Audit (Chair), Conduct Review  
IT Governance, Governance



**Althea Raum**  
Vice-Chairperson  
Committee assignments:  
IT Governance (Chair), Audit (Chair),  
Governance, Community Giving,  
Investment & Lending



**Alan Bajkov**  
Committee assignments:  
Investment Lending (Chair)  
Human Resources, Governance,  
IT Governance



**Leo Callarec**  
Committee assignments:  
Governance (Chair)  
Audit, Human Resources,  
Investment & Lending,  
Community Giving, Credit



**Zachary Poturica**  
Committee Assignments:  
Governance (Chair),  
IT Governance, Audit



**Joanne Muirhead**  
Conduct Review (Chair),  
Governance, Human Resources,  
Investment & Lending



**Romeo Girardi**  
Committee Assignments:  
IT Governance,  
Investment & Lending, Audit



**Mike Campol**  
Community Giving (Chair)  
Investment & Lending,  
Conduct Review



**JF Launier**  
Committee Assignments:  
Community Giving, IT Governance,  
Governance, Audit,  
Investment & Lending

# BOARD OF DIRECTORS

## MESSAGE FROM THE CHAIR

On behalf of the Board of Directors, I'm pleased to provide an overview of our past year. As Directors, our foremost responsibility is to ensure that our decisions reflect the best interests of our members. We continue to collaborate with regulators to uphold OCU's safe operating standards, focusing on monitoring and compliance.

We're proud to announce the successful completion of our strategic expansion initiative, culminating in the opening celebration of our Oliver Branch in June 2023. This expansion allows OCU to better serve both current and new members in Rock Creek, Keremeos, and Oliver.

2023 can be aptly described as challenging. Locally, wildfires impacted both our members and staff. We're grateful for the efforts of firefighters that prevented any loss of life or property. Nationally, Canada experienced a significant surge in interest rates, prompting

a shift in member preferences towards term deposits. Despite this, we remain optimistic about our financial future through transparent governance and strategic management.

Internationally, the ever-evolving landscape of Cyber Security led to the formation of our new IT Governance Committee. This committee collaborates with third-party providers and regulators to ensure robust security measures are in place.

I extend my gratitude to our dedicated staff for their expertise and commitment in navigating these changes. To our members, thank you for your ongoing support and trust in us to represent your interests.

*Together We Are Better*



Diana Thomas,  
Board Chairperson

### DIRECTOR ATTENDANCE

	Annual General Meeting	Strategic Planning	Audit	Community Giving	Conduct Review	Credit	Governance	Human Resources	Investment Lending	Peer Group	IT Governance	Total Hours*
Diana Thomas	✓	✓	C		✓		✓	C		✓	✓	87
Althea Raum	✓	✓	C	✓			✓		✓	✓	C	87
Leo Callarec	✓	✓	✓	✓		✓	C	✓	✓	✓		78
Alan Bajkov	✓	✓					✓	✓	C	✓	✓	66
Zachary Poturica	✓	✓	✓				C			✓	✓	65
Joanne Muirhead	✓	✓			C		✓	✓	✓			54
Mike Campol	✓	✓		C	✓				✓	✓		51
JF Launier	✓	✓	✓	✓			✓		✓		✓	31
Romeo Girardi	✓		✓						✓		✓	20

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

\*Total hours include time spent in meetings and do not include preparation time.



OCU donated Osoyoos Coyotes hockey tickets to Elementary schools in Osoyoos, Oliver, and Keremeos.

# COMMUNITY IMPACT

OCU'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.

This past year we've been integral to community vitality, supporting healthcare, food security, and youth & senior development through investments in organizations like the South Okanagan Similkameen Health Foundation, Rock Creek Community Medical Society, and Elementary and Secondary school programs. We've enriched cultural life and economic prosperity by supporting local festivals like All Hallows Festival and the Cactus Jalopies car show. Additionally, we've championed seniors' health and wellness, funding programs that promote active living.

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## GRANTS, DONATIONS & COMMUNITY SUPPORT

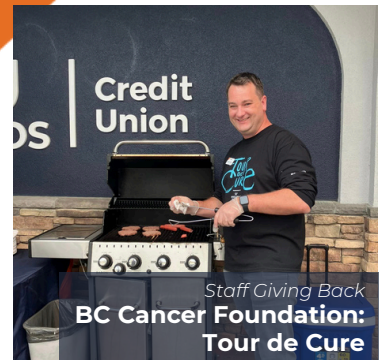
# \$51,400

- Boundary Community Partners Association
- Boundary Curling Club
- Cactus Jalopies Car Show
- Desert Ladies Classic Golf Tournament
- Desert Sun Counselling & Resource Centre
- Desert Valley Hospice Society
- Kettle River Food Share
- Lower Similkameen Community Services Society
- Osoyoos Curling Club
- Osoyoos Desert Society
- Osoyoos Elementary School PAC
- Osoyoos Elementary School
- Osoyoos Elks
- Osoyoos Food Bank
- Osoyoos Coyotes Junior Hockey Club
- Osoyoos Lake Paddling Club
- Osoyoos Lawn Bowling Club
- Osoyoos Pickle Ball Club
- Osoyoos Secondary School PAC
- Osoyoos Senior Centre Association
- Oliver Elementary School
- Oliver Food Bank
- Rock Creek and Boundary Fair Assoc.
- Rock Creek Community Medical Society
- Similkameen Sizzle Pepper Festival
- South Okanagan Minor Hockey Association
- Sen'Pok'Chin Elementary School
- South Okanagan Similkameen Medical Foundation
- Tuclehuit Elementary School
- Wide Arts National Association (WANA)



# COMMUNITY IMPACT

## HIGHLIGHTS





# Protecting and Empowering Our Members

## Enhancing Digital Security & Combatting Cyber Crime

At OCU, safeguarding our members is paramount. In response to the escalating threat of fraud and cyber attacks being felt across the financial sector, we continuously fortify our digital defenses.

In 2023, we introduced a Dual Factor Authentication system (2FA). This system acts as a double lock on your front door. When you log in, you not only provide your password but also receive a unique code on your phone or email. This additional layer ensures that even if someone manages to steal your password, they cannot access your account without the second factor.

In addition to employing 2FA, changing passwords regularly and creating complex ones are essential habits. Your password serves as the first line of defense against unauthorized access. Avoid using easily guessable information such as "password123" and instead opt for a combination of uppercase letters, lowercase letters, numbers, and special characters.

In 2023 we also bolstered our employees' anti-fraud expertise through enhanced training. This proactive measure equips our team to identify and address cyber threats effectively.

## Promoting Financial Well-being and Preparing for the Future

We envision a future where wealth is not just about money—it's about generational well-being. OCU encourages responsible financial habits that transcend generations. By imparting financial wisdom to our youth, we pave the way for a legacy of prosperity.

Financial literacy is not just a buzzword; it's a strategic tactic that is ingrained in our values as a financial co-operative. We empower our members with knowledge—whether it's understanding budgeting, navigating investments, or planning for retirement. Our workshops, webinars, and personalized consultations aim to equip you with the tools needed for financial success.

In a year marked by economic uncertainty, OCU remained steadfast in our commitment to supporting our members' financial resilience.

By empowering members with financial knowledge, offering personalized advice, and providing essential tools and products, we ensure they can confidently navigate economic uncertainty and unexpected life changes. Additionally, our ongoing support for community programs reflects our understanding of the vital role nonprofits and community groups play in our members' well-being and the overall health of our communities. At OCU, we stand together with our members, striving to build a brighter financial future for all.

## Dual Factor Authentication *the benefits*

### Mitigates Risk

Fraudsters are getting smarter. 2FA adds an extra layer of protection against unauthorized access.

### Gives You Peace of Mind

Knowing that your accounts are doubly secured allows you to bank online confidently.

### Meets Industry Standards

Major institutions worldwide use 2FA. It's a proven method to safeguard your data.





# MANAGEMENT DISCUSSION AND ANALYSIS SUMMARY

2023 presented unprecedented challenges, marked by significant economic disruptions and inflationary pressures, which have impacted our operations and financial results.

## Overview of Financial Challenges

The past fiscal year has been exceptionally demanding, characterized by the Bank of Canada's swift and significant interest rate hikes in response to mounting inflationary pressures. This has led to a substantial increase in interest expenses for OCU. Furthermore, persistent supply chain disruptions, inflated housing markets, labor shortages, and the ongoing conflict in Ukraine have further strained businesses and families, affecting the overall economic landscape.

## Impact on Lending Activities

The combination of high interest expenses and relatively low lending rates has resulted in a challenging lending environment for OCU. While our members typically borrow mortgages for longer terms, often around five years, our deposit products typically have shorter maturities, averaging around one year. As a result, our deposits have renewed at higher rates, while income from mortgages has remained relatively low as they are not yet due for renewal. This misalignment has

contributed to lower-than-anticipated income and financial strain for the credit union. It is important to note that we anticipate this discrepancy will correct itself over time. As economic conditions stabilize and lending rates adjust, we expect a gradual normalization in our interest income relative to our interest expenses.

## Risk Management

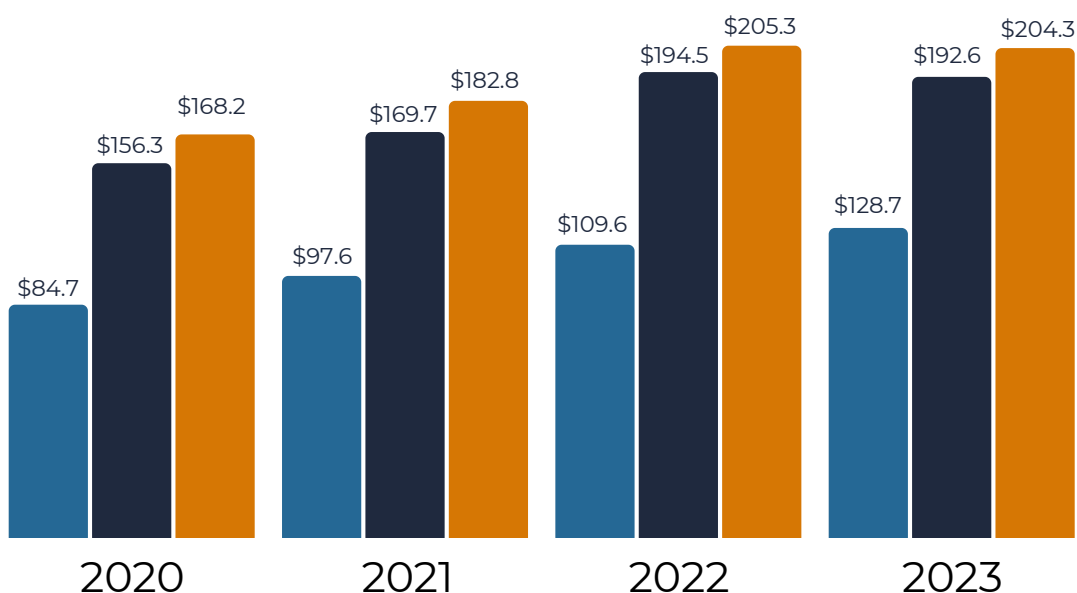
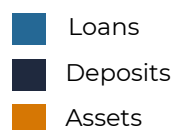
Despite these challenges, we have remained steadfast in our commitment to prudent risk management practices. Our team has diligently monitored and mitigated various risks, including credit, liquidity, interest rate, and operational risks, to safeguard the financial health and stability of OCU.

## Outlook and Future Strategies

Looking ahead, we recognize the need for proactive measures to address the evolving economic landscape and its implications for our operations. OCU remains focused on implementing strategies to enhance revenue streams, optimize our lending portfolio, and strengthen our financial resilience. We are committed to supporting our members and communities while navigating these uncertain times.

## Assets, Loans and Deposits

(\$ In Millions)



# BUSINESS ANALYSIS

## Financial Performance

The Credit Union's total assets decreased to \$204,307,458 in 2023 from \$205,272,518 the previous year.

## Revenue Generation

OCU's principal revenue generation activity is Interest Income. It recorded \$5,025,588 in interest on member loans and an additional \$2,706,030 on investments and deposits. Conversely, OCU paid \$4,536,951 in interest on member deposits. The Credit Union had other income — from service charges, loan fees and other penalties and commissions — totalling \$692,157.

## Cash Resource

The Credit Union's cash position, encompassing cash reserves including cash on hand, deposits with Central 1 Credit Union Ltd., and balances within investment portfolios, contracted to \$3,063,692 in 2023, marking a decline of \$10,113,633 compared to the previous year. Notably, \$8,457,335 was allocated towards investment activities, primarily directed into loans and bond investments. Operating activities yielded a net inflow of \$1,746,037, predominantly sourced from interest receipts on loans and investments, offset by disbursements to employees, suppliers, and interest payments on member deposits. Moreover, \$3,402,335 was disbursed to members redeeming their deposits.

## Investments

OCU's investments increased to \$68,997,431 in 2023 from \$65,742,425 the previous year. Those investments are heavily weighted in Portfolio opportunities, with almost

\$60 million held in commercial bonds. An additional \$8.2 million is held in term deposits. OCU also holds a number of equity investments totaling \$56,544.

## Member Loans

The largest portion of assets is structured on loans to members, mostly in mortgages. Outstanding member loans — mortgages, and consumer and commercial loans — increased to more than \$128 million in 2023. That is an increase of almost \$7 million from \$122 million in 2022. The vast majority of OCU's lending is considered low-risk.

## Member Deposits

Member Deposits decreased by \$1,855,867 in 2023. Term Deposits account for about \$87 million of total deposits. Demand deposits totalled about \$63 million.

## Administrative Expenses

The Credit Union's administrative expenses in 2023 increased to \$1.65 million from \$1.53 million in 2022.

## Operational Expenses

Employee salaries and benefits accounted for \$1.9 million about 48 percent — of the Credit Union's \$4M Operational budget. Occupancy and equipment totalled \$146,334 and depreciation of property, plant and equipment an additional \$196,269. Deposit insurance costs were \$118,716 in 2023.

## Net Income

Net Income (loss) for 2023 totalled (\$561,289), down from \$691,318.



Term Deposits	
Due by Mar 31, 2024 or earlier	2,000,000
Due April 1 - Dec 31, 2024	2,529,600
Due more than one year in the future	3,498,040
Accrued Interest	157,144
<b>Total</b>	<b>8,184,784</b>

Portfolio Investments	
Commercial Bonds	60,433,052
Accrued Interest	323,051
<b>Total</b>	<b>60,756,103</b>

Equity Investments	
Central 1 shares - Class A	56,368
Central 1 shares - Class E	35
Stabilization Credit Union Shares	141
<b>Total</b>	<b>56,544</b>

## 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. OCU's total liquidity at December 31, 2023 was 37.4%.



# 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, 2023, and the statements of income (loss), comprehensive income (loss), changes in members' equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2023, 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 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 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 13, 2024

The logo for MNP LLP, featuring the letters 'MNP' in a large, bold, handwritten-style font, followed by 'LLP' in a smaller, clean, sans-serif font.

Chartered Professional Accountants

# FINANCIAL STATEMENTS

## Osoyoos Credit Union Statement of Financial Position

As of December 31, 2023, with comparative information for 2022

	2023	2022
<b>Assets</b>		
Cash	3,063,692	13,177,325
Investments (Note 5)	68,997,431	65,742,425
Members' loans receivable (Note 17)	128,735,210	122,135,509
Income taxes recoverable	-	557,259
Property, plant and equipment (Note 7)	2,550,600	2,688,373
Intangible assets (Note 8)	303,542	256,547
Other assets (Note 9)	448,341	502,838
Investment property (Note 10)	208,642	212,242
	<b>204,307,458</b>	<b>205,272,518</b>
<b>Liabilities</b>		
Member deposits (Note 11)	192,627,598	194,483,465
Income taxes payable	73,723	-
Other liabilities	571,580	569,081
Derivative financial instruments (Note 14)	371,551	526,281
Lease liabilities (Note 13)	106,777	133,085
Deferred tax liabilities (Note 6)	122,915	16,764
Patronage dividends payable	46,427	9,059
Member shares (Note 12)	558,632	700,754
	<b>194,479,203</b>	<b>196,438,489</b>
<b>Members' equity</b>		
Member shares (Note 12)	192,123	217,594
Retained earnings	11,148,002	11,709,291
Accumulated other comprehensive loss	(1,511,870)	(3,092,856)
	<b>9,828,255</b>	<b>8,834,029</b>
	<b>204,307,458</b>	<b>205,272,518</b>

Approved on behalf of the Board

Diana Thomas                      Althea Raum  
Chair, Board of Directors      Chair, Audit Committee

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

### 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 and Audit Committee are composed entirely of Directors who are neither management nor employees of the Credit Union.

The Board 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 STATEMENTS

## Statement of Income (Loss)

For the year ending December 31, 2023

	2023	2022
<b>Interest Revenue</b>		
Interest on member loans	5,025,588	3,969,745
Interest on investments and deposits	2,706,030	1,647,927
	7,731,618	5,617,672
<b>Interest Expense</b>		
Interest on member deposits	4,536,951	1,592,051
<b>Net Interest Income</b>	3,194,667	4,025,621
<b>Impairment losses on member loans</b> (Note 17)	25,543	11,166
<b>Financial margin</b>	3,169,124	4,014,455
<b>Other income</b>	692,157	728,167
	3,861,281	4,742,622
<b>Operating expenses</b>		
Amortization of intangible assets (Note 8)	36,911	40,097
Deposit insurance	118,716	129,886
Depreciation of property, plant and equipment (Note 7), (Note 10)	196,269	135,232
Director and committee expense	42,250	32,000
Distribution to members (Note 12)	37,368	7,037
Employee salaries and benefits	1,945,708	1,854,878
Occupancy and equipment	146,334	174,390
Operating and administrative expense (Note 15)	1,648,629	1,534,580
	4,172,185	3,908,100
<b>Operating income (loss)</b>	(310,904)	834,522
<b>Other income (expense)</b>		
Gain on disposal of property, plant and equipment	14,057	-
Gain (loss) arising on fair value of derivative financial instrument	(321,941)	25,189
Loss on disposal of investment property	-	(25,098)
<b>Income (loss) before income taxes</b>	(618,788)	834,613
<b>Provision for (recovery of) income taxes</b> (Note 6)		
Current	(163,650)	208,959
Deferred	106,151	(65,664)
	(57,499)	143,295
<b>Net income (loss)</b>	(561,289)	691,318

## Administrative Expenses

	2023	2022
Advertising & promotion	87,621	156,856
Annual general meeting	2,944	4,791
Data processing	344,578	352,702
Education and travel	75,218	99,438
Insurance	45,221	28,969
Interest and bank charges	185,432	87,564
Investment property expenses	24,526	50,454
Office	99,252	89,926
Other Expenses	431,412	317,555
Professional fees	314,667	305,573
Scholarships	3,000	6,500
Telephone	34,758	34,252
	1,648,629	1,534,580

## Lease Liabilities

	2023	2022
<b>Maturity analysis – contractual undiscounted cash flows</b>		
Less than one year	24,285	28,380
One to five years	60,000	72,285
More than five years	52,000	52,000
<b>Total undiscounted lease liabilities</b>	136,285	152,665
<b>Discounted lease liabilities included in the statement of financial position</b>		
Current	23,232	27,767
Non-current	83,545	105,318
<b>Interest expense on lease liabilities</b>	2,072	1,247

The Credit Union leases buildings for some of its ATM locations. These leases span periods of 1-5 years and include several options to renew the lease for an additional 1-5 years after the end of the initial contract term.

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

# FINANCIAL STATEMENTS

## Statement of Comprehensive Income

	2023	2022
<b>Net Income (loss)</b>	(561,289)	691,318
Other comprehensive income (loss)		
Items that will be reclassified subsequently to profit or loss		
Unrealized gains (losses) on portfolio investments, net of tax	1,365,604	(2,629,300)
Unrealized gains (losses) on derivative financial instruments, net of tax	215,382	(477,277)
Other comprehensive income (loss), net of income tax	1,580,986	(3,106,577)
<b>Total comprehensive income (loss)</b>	<b>1,019,697</b>	<b>(2,415,259)</b>

## Statement of Changes in Members' Equity

For the year ending December 31, 2023

	Member shares	Retained earnings	Accumulated other comprehensive income (loss)	Total equity
<b>Balance December 31, 2021</b>	139,467	11,017,973	13,721	11,171,161
Net income	-	691,318	-	691,318
Net change in member shares	(25,471)	-	-	78,127
Unrealized losses 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)
<b>Balance December 31, 2022</b>	217,594	11,709,291	(3,092,856)	8,834,029
Net income	-	(561,289)	-	(561,289)
Net change in member shares	(25,471)	-	-	(25,471)
Unrealized losses on portfolio investments, net of tax			1,365,604	1,365,604
Unrealized losses on derivative financial instruments, net of tax			215,382	215,382
<b>Balance December 31, 2023</b>	<b>192,123</b>	<b>11,148,002</b>	<b>(1,511,870)</b>	<b>9,828,255</b>

### Member Deposits

OCU had the following member deposits at the end of the year:

	2023	2022
Demand Deposits	63,455,251	79,004,906
Term Deposits	87,336,595	79,524,264
Registered Plans	39,473,914	34,968,071
Dormant Accounts	28,459	28,514
Non-Equity Shares	23,127	26,332
Accrued Interest	2,310,252	931,378

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 member-ship shares.

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



# FINANCIAL STATEMENTS

## Statement of Cash Flows

For the year ending December 31, 2023

	2023	2022
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Interest received from member loans	5,005,816	3,916,849
Interest and dividends received from investments	2,561,455	1,517,394
Fees, commissions and miscellaneous income received	692,157	728,258
Cash paid to suppliers and employees	(3,870,949)	(3,771,390)
Interest paid on deposits	(3,158,077)	(1,202,312)
Patronage and dividends paid	-	(16,288)
Income taxes recovered (paid)	515,635	(459,165)
	1,746,037	713,346
<b>Financing activities</b>		
Net change in member deposits	(3,234,742)	24,299,072
Net change in member shares	(167,593)	(258,656)
	(3,402,335)	24,040,416
<b>Investing activities</b>		
Net change in members' loans receivable	(6,605,472)	(12,412,023)
Repayments from related parties	-	70,000
Purchases of investments	(1,663,281)	(10,282,289)
Purchases of property, plant and equipment	(104,676)	(406,118)
Purchases of intangible assets	(83,906)	(66,214)
Proceeds on disposal of investment property	-	97,000
	(8,457,335)	(22,999,644)
<b>Increase (decrease) in cash</b>	<b>(10,113,633)</b>	<b>1,754,118</b>
<b>Cash, beginning of year</b>	<b>13,177,325</b>	<b>11,423,207</b>
<b>Cash resources, end of year</b>	<b>3,063,692</b>	<b>13,177,325</b>

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

# WHAT WE VALUE

## 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 our members and build relationships, support our team and help them hone their skills, and find opportunities to be environmentally sustainable whenever possible.



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