

# ANNUAL REPORT 2010

Pacific NW Federal Credit Union



**Pacific  
NW**   
**Federal Credit Union**



## Thank You to Our Sponsors

The raffle prizes given out at our 2010 Annual Meeting were made possible through the generosity of the companies listed below. We would like to thank them for their support.

- Auto Mentors
- Digital Insight
- CUNA Mutual
- JHA Payment Processing
- CEO Promotions
- Allied Solutions
- Rhino Printing
- Hunter & Davisson
- Pacific Office Automation
- CDW
- XP Systems
- Mike Caro, Attorney
- Paulson Printing
- Lipsky Research, Inc.
- FSCC
- Comcast Spotlight
- Image Pressworks
- Harland
- WCCI Mortgage Appraisals
- USI Benefits Broker
- Integra
- The Killers, Pest control
- Taylor Group Realty
- Bay View Building Maintenance
- Delta Fire, Inc.
- SW Office Supply
- Crosspoint NW Auction
- Vigilant Counsel
- Sanderson Safety
- Pavement Maintenance, Inc.
- Aspen Landscape Management
- Allied Fire and Security

# What's Inside

PRESIDENT'S & CHAIRMAN'S REPORT	1, 2
STATEMENT OF FINANCIAL CONDITION	3
STATEMENT OF INCOME & EXPENSES	4
SUPERVISORY COMMITTEE REPORT	5, 6
COMMUNITY OUTREACH	7, 8
SERVICE AWARDS	9
PHOTO CONTEST WINNER	10
OUR PEOPLE	11
LOCATIONS	12



"...PNWFCU continues to remain adequately capitalized and FOCUSED on continued recovery and *servicing our members.*"

# President & Chairman's Report

2010 was another challenging year for Pacific NW Federal Credit Union (PNWFCU). The economy in the Northwest continued to limp along. Two key metrics that directly affects PNWFCU are unemployment and home values. These impact our members' ability to repay their loans and the ability to sell or refinance their homes.

- At year-end unemployment in Washington was 9.2% and 10.3% for Oregon.
- Housing values continued to decline with Washington losing 10.9% and Oregon losing 14.7% over the previous year.

The credit union industry is also required to cover the losses in failed institutions through the replenishment of the National Credit Union Share Insurance Fund and the repayments for the Corporate Credit Union Stabilization Fund (a fund to recoup the losses from the failed corporate credit unions). In 2010 the NCUA assessed PNWFCU \$343,945 combined for the two funds. That consumed the slight net income PNWFCU derived from operations, leaving a net loss for 2010 of (\$309,787).

Despite the loss, PNWFCU continues to remain adequately capitalized and focused on continued recovery and serving our members.

- We brought in over 1,100 new members in 2010
- We made over 1,500 loans totaling almost \$62 million
- We helped 152 members in financial difficulties by working with them on restructuring their debt.
- We continue to maintain a strong allowance for losses, growing from \$2.8 million to \$3.3 million
- We've reduced regular operating expenses in 2010 by over \$200,000 over 2009 expenses
- While still higher than we would like, we have reduced delinquency from 5.80% to 3.82%

2011 is expected to still be economically challenging, especially in the Northwest. While our region typically enters a nationwide recession a little late, we seem to linger in the recession even as the nation starts on the path of recovery. PNWFCU will be working with members throughout this year as your financial partner for life.

*Thomas Griffith* *Parvash Patel*

# Our Leaders

These individuals have a wealth of experience and wisdom that they share with PNWFCU to make us stronger and more effective each year.

## **Thomas E. Griffith, CMA**

*Chief Executive Officer*

Tom has been in the credit union industry for over 20 years. He holds a Bachelor's in Accounting from Portland State University and is a Certified Management Accountant (CMA). After spending five years as an accountant for a market research firm, he became Controller of a small credit union. He spent eleven years as the Chief Financial Officer for a \$600 million credit union before joining Pacific NW Federal Credit Union in 2003 as the CEO.



## **Paresh Patel, Ph.D., MBA**

*Chairman of the Board*

Founder and owner of the nationally recognized company, Courtesy Vending, Mr. Paresh Patel has brought a balanced business perspective to the PNWFCU Board or Directors. As Chairman of the Board for over a decade, he has worked to help ensure our credit union's stability and future; at the same time, ensuring we meets our member's' needs.

His academic background includes an MBA and Ph.D. in Organization and Management.



# Statement of Financial Condition

*Year ended December 31*

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Cash & cash equivalents	\$ 14,854,966	\$ 9,854,215
Certificates of deposit	15,237,000	10,627,000
Restricted equity securities	439,528	439,528
Investment securities held-to-maturity, at amortized cost	850,737	-
Loans held-for-sale	1,297,950	-
Loans to members, net	111,511,466	118,474,269
Accrued interest receivable	406,831	484,502
Property and equipment, net	4,241,207	4,459,469
National Credit Union Share		
Insurance Fund deposit (NCUSIF)	1,326,250	1,318,123
Other real estate owned	739,611	525,132
Other assets	<u>761,140</u>	<u>737,854</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 151,666,686</u></b>	<b><u>\$ 146,920,092</u></b>
<b>LIABILITIES</b>		
Members' shares	\$ 140,770,069	\$ 134,818,629
Borrowed Funds	120,645	1,245,699
Accrued expenses & other liabilities	<u>1,454,071</u>	<u>1,224,076</u>
Total Liabilities	<u>142,344,785</u>	<u>137,288,404</u>
<b>MEMBERS' EQUITY</b>		
Undivided earnings	6,246,227	7,156,988
Regular reserves	<u>3,075,674</u>	<u>2,474,700</u>
Total members' equity	<u>9,321,901</u>	<u>9,631,688</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b><u>\$ 151,666,686</u></b>	<b><u>\$ 146,920,092</u></b>

# Statement of Income & Expense

*Year ended December 31*

	<b>2010</b>	<b>2009</b>
<b>INTEREST INCOME</b>		
Interest on loans to members	\$ 7,755,447	\$ 8,698,330
Interest on investments	114,025	204,764
Total interest income	<u>7,869,472</u>	<u>8,903,094</u>
<b>INTEREST EXPENSE</b>		
Dividends on members' shares	874,060	1,845,923
Interest on borrowed funds	14,110	244,988
Total interest expense	<u>888,170</u>	<u>2,090,911</u>
<b>NET INTEREST INCOME</b>	6,981,302	6,812,183
<b>PROVISION FOR LOAN LOSSES</b>	<u>3,035,861</u>	<u>4,297,698</u>
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	3,945,441	2,514,485
<b>NONINTEREST INCOME</b>		
Service fees & other income	1,753,498	1,703,155
Mortgage Banking Income	721,047	426,623
Total noninterest income	<u>2,474,545</u>	<u>2,129,778</u>
<b>NONINTEREST EXPENSE</b>		
Salaries & benefits	3,484,602	3,564,154
Operations	2,552,587	2,700,170
Impairment of corporate credit union capital shares	-	1,410,720
Occupancy	348,639	355,336
NCUA premium assessment	343,945	197,718
Total noninterest expense	<u>6,729,773</u>	<u>8,228,098</u>
<b>NET LOSS</b>	<u><b>\$ (309,787)</b></u>	<u><b>\$ (3,583,835)</b></u>



# Supervisory Committee Report

Your Supervisory Committee is composed of four member volunteers: Robert Mealey, Henry Tieu, Harry Speropulos (also a Director on the Board), and Peter Pongracz-Bartha (Committee Chairman). The Supervisory Committee has the responsibility to oversee and verify that your Credit Union safeguards the members' assets and that the financial condition of the Credit Union is fairly and accurately presented in its financial statements. We meet monthly to review various parts of the Credit Union operation as well as the quality of consumer loans. Additionally, at least one Supervisory Committee member attends the monthly Board meetings.

Our auditor is the accounting firm of Moss-Adams, LLP. The full opinion audit of the Credit Union's financial statements covers the period January 1, 2010, through December 31, 2010. In performing an opinion audit, the accounting firm reviews and tests a credit union's accounting systems and financial information. Pacific NW Federal Credit Union's assets as of the end of 2010 were \$151.7 million, an increase of \$4.8 million in assets over the prior year. The opinion audit allows us to better assess the risks and soundness of the Credit Union's operation. Your supervisory committee also ordered other audits required

by NCUA regulations, on compliance with the Bank Secrecy Act (BSA), Office of Foreign Assets Control (OFAC) and the USA Patriot Act.

The management team in conjunction with the Board of Directors continually evaluates the financial conditions and closely monitors the state of your Credit Union.

Your Credit Union continues to be a financially sound institution. However, the state of the economy has continued to affect your Credit Union. This impact has reduced our capital to 6.15% of assets, a decrease of 0.41% from prior year. The delinquency ratio has decreased to 3.62 % for December 2010 from 5.80% for the previous year. The charge-off ratio has dropped slightly to 2.19% at the end of 2010 from 2.23% in December 2009. The Credit Union has increased its Allowance for Loan Losses to better absorb the resultant loan losses with the net effect of negative earnings for 2010 with a net income of \$(309,787).

This coming year is expected to be a more stabilizing environment for credit unions. The NCUA (National Credit Union Administration) has required the Credit Union to increase its level of financial contribution needed to support other credit unions at the national level




"This coming year is expected to be a more  
**STABILIZING**  
*environment*  
for credit unions."

through the NCUSIF (National Credit Union Share Insurance Fund) with a \$343,945 assessment. Your Credit Union is actively engaged in working with the membership and is participating in Troubled Debt Restructuring to minimize losses within the guidelines of NCUA. The NCUA operates the NCUSIF insuring deposits to \$250,000 per account.

Moss-Adams, LLP expressed an audit opinion that your Credit Union's financial statements present fairly, in all material aspects, the financial position of Pacific NW Federal Credit Union at December 31, 2010, and

that the results of its operations and cash flows for the twelve months then ended, are in conformity with generally accepted accounting principles. A copy of their audit report is available to members upon request.



**Peter J. Pongracz-Bartha**  
Supervisory Committee Chairman



# Community Outreach

In 2010, PNWFCU helped support our community by donating time and money to dozens of local charities. Institutions who received such donations include the **CUs for Kids** campaign, **The Boys & Girls Club**, **Kiwanis**, **The Blanchet House**, **The World Forestry Center**, **The Gateway Homeless Project**, and many others. Some of our other service efforts included: selling merchandise to raise funds for Doernbecher Children's Hospital, providing college scholarships, sponsoring annual food and toy drives, and donating household items to local shelters. We appreciate everyone who donated or purchased items in support of these important local charities. These institutions provide much needed goods and services that contribute to a better quality of life for all in our communities.



PNWFCU I co-founded the 'One Toy, One Smile' Albin Toy Drive



Maria Berggen - One of PNWFCU's 2010 Scholarship Recipients



PNWFCU Employees packing food at the Oregon Food Bank

## FINANCIAL LITERACY

There is considerable evidence that financial illiteracy has contributed significantly to rising levels of bankruptcy for many Americans in recent years. We believe it's our duty as a credit union to combat this trend by helping our members understand the fundamentals of money management so they can handle finances effectively. As part of this mission, we have begun to not only offer free financial resources to members, but also to a number of community groups, including Parkrose High School and Shepherd's Door, a shelter for Women and Children in Portland. In 2010, PNWFCU staff developed a comprehensive financial literacy program that included teaching a 6-10 week course covering various topics such as Understanding Your Credit Report, Lending & Credit Card Basics, Identity Theft and more. We are happy to provide this service and will continue to spread the knowledge of smart spending, wise use of credit and the benefits of regular saving and investing to other organizations throughout our community. In the future, we hope both the private sector and the government will make financial literacy a high priority among our nation's youth and at-risk citizens.

# Organizations we've been involved with throughout 2010:

## PORTLAND/VANCOUVER

- Boys & Girls Club
- Oregon Humane Society
- Doernbecher
- The World Forestry Center
- Shepherd's Door
- Albin Toy drive for Children Cancer Association
- Oregon Good Bank
- US Fish & Wildlife Wilderness Camp sponsor



## PARKROSE COMMUNITY

- Parkrose High School (PHS) Senior Project Committee
- PHS Communication Committee
- PBA Scholarship Committee
- PHS Senior all night sponsor
- Blue Crush sponsor
- Farmers' Market sponsor
- Parkrose Little League
- Parkrose Education sponsor
- Relay for Life

## COLUMBIA RIVER GORGE:

- Next Door Project
- Hood River 4-H Club
- Columbia Gorge Community College
- Families in the Park
- Relay for Life
- Hood River Elementary School Auction



PBA President, Wayne Stoll, presenting Judy Kennedy with the 2010 Karl Lind Award

## Employee Honored With Community Service Award

We'd like to congratulate PNWFCU's Business Development Specialist, Judy Kennedy, for receiving the Karl F. Lind Award from the Parkrose Business Association (PBA). The Karl Lind Award is given to a member of the PBA who lives or works in the community and has given countless hours of volunteer time.

Pacific NW Federal Credit Union has been an active member of the PBA for many years and Judy has been an involved representative. She has been more than willing to serve on many committees and sometimes chairing those committees.

Her outstanding dedication to the Parkrose community recently earned her the position of Vice President of the Association.



# Service Awards

Celebrating employee milestones

Congratulations to these individuals who have reached 5, 10 and 15 years of employment at PNWFCU. We would like to thank them for all of their hard work and dedication to our company throughout the years.

## 15 years

**Judy Kennedy**

*Business Development Specialist*

## 10 years

**Diane Calvin**

*SVP Chief Lending Officer*

## 5 years

**Courtney Belschner**  
**Jessica Blancas**  
**Zenia Castaneda**  
**Charlene Dixon**  
**Chris Matthewson**  
**Stacey Moore**  
**Jessica Reynoso-Centeno**

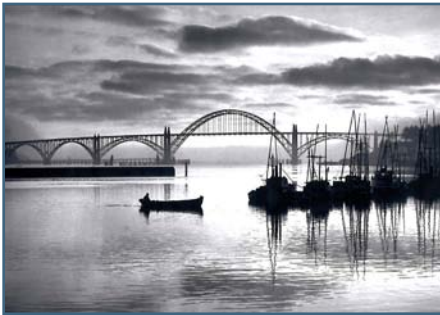
*Executive Assistant*  
*Member Service Operations Manager*  
*Call Center Representative*  
*Member Relationship Officer*  
*Web Developer*  
*Marketing Specialist*  
*Member Service Representative*

# Photo Contest Winners

Capturing the beauty of the Pacific Northwest



1<sup>st</sup> Place - \$200 Winner  
**Angela Service**  
Olympic National Forest



2<sup>nd</sup> Place - \$100 Winner  
**Lloyd Phillips**  
Yaquina Bay Bridge



3<sup>rd</sup> Place - \$50 Winner  
**Christopher Dean**  
Crater Lake's Wizard Island



# Our People

## Board of Directors

**Paresh Patel**, Chairman  
**Nancy Morgan**, Vice Chairman  
**Phil Livesley**, Treasurer  
**David Lacka**, Secretary  
**Linda McKinney**, Director  
**Larry Long**, Director  
**Harry Speropulos**, Director  
**Spencer Wedlund**, Director  
**Ron Miller**, Associate Director

## Supervisory Committee

**Pete J. Pongracz-Bartha**, Chairman  
**Robert Mealey**, Member  
**Henry Tieu**, Member  
**Harry Speropulos**, Member  
**Kathi Lozano**, Staff Liaison

## Senior Management

**Tom Griffith**, President/CEO  
**Lauren Boda**, SVP Finance/CFO  
**Kathi Lozano**, SVP/Chief Security Officer  
**Diane Calvin**, SVP/Chief Lending Officer  
**Eric Keyser**, VP Information Technology  
**Dana Eaton**, VP Marketing & Member Service  
**Dave Thompson**, VP of Human Resources & Training

# Locations

## **Erin Way Branch**

12005 NE Erin Way  
Portland, OR 97220  
503.256.5858

## **BPA Branch**

911 NE 11<sup>th</sup> St. Room 122  
Portland, OR 97232  
503.256.5858

## **Ross Branch**

5411 NE Hwy. 99  
Vancouver, WA 98666  
360.693.7368

## **Hood River Branch**

1004 Pacific Ave.  
Hood River, OR 97031  
541.387.4192

YOUR  
**FINANCIAL**  
PARTNER  
for life

Pacific  
**NW**  
Federal Credit Union



NCUA

