

# 2017 ANNUAL REPORT



**PACIFIC NW**  
FEDERAL CREDIT UNION



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# REPORT FROM THE PRESIDENT & CHAIRMAN

2017 continues the streak of solid performance for Pacific NW Federal Credit Union. Solid growth, solid success in developing our member service capabilities and solid financial performance.

- We expanded our ability to serve the community by expansion of our federal charter to include eight counties:
  - Multnomah, OR
  - Clackamas, OR
  - Hood River, OR
  - Washington, OR
  - Columbia, OR
  - Yamhill, OR
  - Clark, WA
  - Skamania, WA
- We completed the consolidation of staff into our main branch, significantly reducing ongoing operating expenses by selling our empty operations building.
- We started our remodel of Hood River. Working with Hood River contractors, we have been busy remodeling the branch, staying open throughout the process. We really appreciate the understanding of our members and staff as they put up with dust, noise and clutter.

We continue to strengthen the quality of our loan portfolio and improve the quality of our overall balance sheet.

- 1,592 people became members – a 17% increase over last year new

member growth, with net members increasing to 17,053.

- Made 2,187 consumer loans for \$32.7 million.
- Helped 241 members buy, refinance or tap equity in their homes for \$34 million.
- Increased total assets from \$165.4 to \$179.8 million.
- Increased total loans (held and serviced) by \$18.0 million to \$242.9 million.

During 2018 our focus will be to continue to increase the convenience and quality of member service.

- Bringing comprehensive money management online through the desktop and phone.
- Significantly improving our online ability to get a loan through your phone or desktop.
- Expanding our phone support hours.
- Adding chat, text and other ways to connect with our staff.
- Adding online account opening through both desktop and phone.
- Remodeling Ross Branch.
- Making peer-to-peer payment transfers available to members.

Throughout all of this, our main goal is to be your financial partner for life. Thank you for your membership.

*Thomas E. Griffith* *Pavesh Patel*



## **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, PhD, MBA Chairman of the Board**

Paresh is a lifelong entrepreneur who has founded several companies in the Portland area, most recently PayRange, a mobile payment solution. He brings a balanced business perspective to the PNWFUCU Board of Directors. As Chairman of the Board for over a decade, he has worked to help ensure our credit union's stability, while at the same time ensuring we meet our members' needs now and into the future.



# FINANCIAL CONDITION

*Year ended December 31*

	<u>2016</u>	<u>2017</u>
<b>ASSETS</b>		
Cash & cash equivalents	\$ 13,122,688	\$ 8,735,125
Certificates of deposit	19,814,000	14,434,000
Investment securities held to maturity	28,279,319	37,449,567
Restricted equity securities	267,904	286,804
Loans to members, net	96,007,860	111,964,137
Accrued interest receivable	402,679	474,450
Property & equipment held-for-sale	970,205	-
Property & equipment, net	2,814,691	2,807,464
National Credit Union Share		
Insurance Fund (NCUSIF) deposit	1,366,699	1,554,317
Other real estate owned	436,025	436,025
Other assets	<u>1,885,006</u>	<u>1,716,239</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 165,367,076</u></b>	<b><u>\$ 179,858,128</u></b>
<b>LIABILITIES</b>		
Members' shares	\$ 150,874,231	\$ 162,834,047
Accrued expenses & other liabilities	<u>909,866</u>	<u>997,302</u>
Total liabilities	<u>151,784,097</u>	<u>163,831,349</u>
<b>MEMBERS' EQUITY</b>		
Regular reserves	4,033,040	4,033,040
Undivided earnings	<u>9,549,939</u>	<u>11,993,739</u>
Total members' equity	<u>13,582,979</u>	<u>16,026,779</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b><u>\$ 165,367,076</u></b>	<b><u>\$ 179,858,128</u></b>

# INCOME & EXPENSE

	<i>Year ended December 31</i>	
	<u>2016</u>	<u>2017</u>
<b>INTEREST INCOME</b>		
Interest on loans to members	\$ 4,295,129	\$ 4,819,778
Interest on investments	558,368	857,048
Total interest income	<u>4,853,497</u>	<u>5,676,826</u>
<b>INTEREST EXPENSE</b>		
Dividends on members' shares	63,675	101,760
Interest on borrowed funds	73	100
Total interest expense	<u>63,748</u>	<u>101,860</u>
<b>NET INTEREST INCOME</b>	4,789,749	5,574,966
<b>(RECAPTURE OF) PROVISION FOR LOAN LOSSES</b>	<u>(33,353)</u>	<u>72,820</u>
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	4,823,102	5,502,146
<b>NONINTEREST INCOME</b>		
Service fees & other income	1,896,648	2,050,644
Mortgage banking income	1,116,083	725,137
Gain on sale of property and equipment	-	794,954
Total noninterest income	<u>3,012,731</u>	<u>3,570,735</u>
<b>NONINTEREST EXPENSE</b>		
Salaries & benefits	3,075,618	3,406,067
Operations	3,034,471	2,951,638
Occupancy	315,809	271,376
Total noninterest expense	<u>6,425,898</u>	<u>6,629,081</u>
<b>NET INCOME</b>	<u>\$ 1,409,935</u>	<u>\$ 2,443,800</u>

# SUPERVISORY COMMITTEE REPORT

The Supervisory Committee's oversight role in the governance of Pacific NW Federal Credit Union (PNWFCU) activities is to act as a "watchdog" on behalf of members. In fulfilling this role the Supervisory Committee conducts various reviews, verifications, and audits. These are segmented by two types of major audits; a financial audit, and audits of management operations and associated internal controls.

**Financial Audit:** One of the Committee's most important functions is oversight and management of the annual financial audit. Management is responsible for the preparation, presentation, accuracy, and consistency of financial reporting representing the credit union's financial condition. The Supervisory Committee has a duty to ensure that these reports are accurate representations and fairly presented.

We engage annually with a certified public accounting firm to perform an independent opinion audit of financial statements. In 2017 the Supervisory Committee engaged Moss Adams, a nationally recognized accounting firm, to conduct this external financial audit. The audit confirmed that the financial reports prepared by management provide an

accurate and fair representation of the credit union's financial condition in all material aspects as of and for the year ended December 31, 2017. In providing an unmodified, or clean, opinion Moss Adams certifies PNWFCU's 2017 year-end financial statements meet, and are in conformance with, generally accepted accounting principles.

As of December 31, 2017, PNWFCU assets grew, year over year by \$14,491,052, to \$179,858,128. This was an 8.76 percent increase over calendar year 2016. You, the credit union member, contributed to the restoration in our net worth. Net income increased by \$1,033,865, to \$2,443,800. Net worth grew from 8.21 percent to 8.91 percent.

**Operational Audits:** Management has developed and continues to maintain a system of internal controls designed to ensure operational activities remain consistent with Board policies and procedures, and are effective in safeguarding member assets. The Committee's review of management internal controls also seeks to confirm that: 1) transactions are properly authorized, 2) assets are safeguarded, 3) proper records are maintained, and 4) internal controls continue to be effective.

**“As of December 31, 2017, PNWFCU assets grew, year over year by \$14,491,052, to \$179,858,128.”**

To ensure the effectiveness of internal controls, the Supervisory Committee meets with management to monitor and manage the implementation of staff audits and reviews, as well as manage the external Moss Adams audit of credit union operations. The Committee conducts its own independent review of management activities, as well. These oversight efforts seek to confirm the continuance of sound internal operations, and compliance with existing laws and regulations.

In 2017 the Supervisory Committee initiated a comprehensive 3-year external audit of credit union operations. The Committee engaged with Moss Adams for a non-opinion audit in the first year of this review cycle. Moss Adams audited a number of functional areas in 2017. These included a review of: Branch Operations, Lending Compliance, and IT External Vulnerability Assessment and Penetration Testing. Additional audits are scheduled for 2018.

**Other Audits:** Risks confronting the credit union are reflected in other audits such as compliance with the Bank Secrecy Act (BSA)/Office of Foreign Asset Control (OFAC)/US Patriot Act.

**NCUA Exam:** The National Credit Union

Association (NCUA) is the regulatory agency for all federally chartered credit unions. The focus of this exam is on safety and soundness. The NCUA's 2017 exam is scheduled for May 2018.

Over the past few years financial institutions have confronted new and unprecedented security threats. In this environment the effectiveness of Board, management, and Supervisory Committee governance roles has become a strategic priority.

I'd like to express my appreciation to fellow members of the Supervisory Committee: Larry Long (also a Board director), and Tim Winner (Secretary). We meet monthly. Committee members are actively involved in monitoring credit union activities and decisions. We attend Board meetings, management meetings, and strategic planning meetings.

Finally, I'd like to thank you, our members, for your loyalty and support of our efforts to be your preferred financial partner for life.

Respectfully,

**Robert Mealey**  
Supervisory Committee Chairman

# COMMUNITY OUTREACH

## COLUMBIA RIVER GORGE

- Columbia Center for the Arts
- Columbia Gorge Marathon
- Community Association
- Friends of the Columbia Gorge
- Hood River 4-H Club
- Hood River County Sheriff
- Hood River Elementary School Auction
- Hood River Rotary Club
- Huckleberry Festival
- Relay for Life

## PARKROSE COMMUNITY

- Future Business Leaders of America
- Parkrose Educational Foundation
- Parkrose Farmers Market
- Parkrose Neighborhood Cleanup
- Parkrose Recycle and Clean-up Day
- PBA (Parkrose Business Association)
- PBA Scholarship Committee
- PHS (Parkrose High School) Grad Party
- PHS Dance Team
- PHS Senior Project
- Prescott Family Community Association
- Wilkes Recycle and Clean-up Day

## PORTLAND/VANCOUVER

- American Cancer Society
- Associates Foundation
- Beaumont Softball League
- Doernbecher Children's Hospital
- Hops for Hope
- Kiwanis Children's Cancer Program
- KlineKids Fishing Nonprofit
- Leach Botanical Garden
- Lions Club
- Oregon Food Bank
- Portland Strollathon
- Shepherd's Door
- World Forestry Center

## SCHOLARSHIPS

Each year, we give two \$1,000 scholarships to deserving students. Congratulations once again to our 2017 scholarship winners, Olivia Normand and Rebecca Johnston.



*Scholarship winner, Olivia Normand*



*Scholarship winner, Rebecca Johnston*



## OREGON FOOD BANK

In addition to PNWFCU's community sponsorships and donations, we volunteered to support our fellow Pacific Northwesterners. In September, we went to Oregon Food Bank and helped package 45,058 pounds of food, which provided 37,548 meals for our neighbors.

# WHAT'S NEW AT PNWFCU

## BRANCH REMODELS

Our Erin Way and BPA/911 branch remodels are all done and Hood River is nearly complete. Next up is our Ross branch, but first we are having a celebration at the Hood River branch!

Come check it out at the grand reopening on May 3 at 5:30pm. The Hood River Chamber will be there to cut the ribbon, revealing our fresh remodel. Enjoy food by Ahi's Ohana Catering, with Stave & Stone wine and Double Mountain Brewery beer and cider. There will be raffle prizes from local businesses including Juanita's Chips, Dakine, Double Mountain Brewery and Stave & Stone.

### Hood River Branch Reopening

May 3 | 5:30 – 7pm

1004 Pacific Avenue, Hood River

## MONEY MANAGEMENT

Our new Money Management tool makes it easy (and free) to view all of your financial accounts on one screen. You can add your accounts with other credit unions, banks and brokerages, so you can see your total financial picture to easily set goals, create a budget and pay off debt. Log in to your PNWFCU account through our website or app to try it out.

## STREAMLINED LOAN APPLICATIONS

We streamlined our loan applications, giving you responsive mobile access, a pre-filled application when you're logged in, a save option, and an instant preapproval or referral.

**Plus, we launched a new referral contest...**

## REFER A MEMBER, WIN \$250

If you're happy and you know it, tell a friend! Fill out this referral card and share it with a friend, family member or co-worker. For every new member who joins PNWFCU, you'll be entered to win \$250 each, with a pair of winners drawn monthly.

*\*New member must be 18 or older and set up savings, checking and direct deposit of paycheck to qualify for \$250. New member must meet account requirements for referring member to qualify for \$250. We will draw a pair of winners monthly. New member's earnings will be reported on form 1099 INT, as required. Program subject to change without notice.*

\_\_\_\_\_  
*Current Member's Name*

\_\_\_\_\_  
*Current Member's Phone #*

\_\_\_\_\_  
*New Member's Name*

*(Welcome! Bring this card to your local branch to open an account.)*

FOR OFFICE USE ONLY

DATE OPENED:

NEW MEMBER #:

TELLER #:

CURRENT MEMBER #:

# NW WONDERS PHOTO CONTEST

We received 74 entries for our NW Wonders photo contest and created a calendar featuring PNW attractions, with notes about where and when to visit. For every \$10 calendar sold, we donated \$10 to Doernbecher Children's Hospital and \$10 to Friends of the Columbia Gorge, totaling \$1,500. We also donated \$100 to the World Forestry Center on behalf of the entries. These were our top three photo contest winners:

1. The Enchantments by Magen Rachel Cornett
2. Good Morning Sunshine! by Janice Dunlap
3. Timberline Lodge's Welcoming Lights on a Cold Winter's Night by Amy McCavour



*Clockwise from top: The Enchantments; Timberline Lodge's Welcoming Lights on a Cold Winter's Night; Good Morning Sunshine!*

# THANK YOU

Congratulations to our employees who celebrated milestones in 2017. We thank you for your hard work and dedication to PNWFCU over the past 5, 10 and 25 years.

25

Oralia Robles  
Harold Smith

Branch Manager  
XP2 System Administrator

10

Eric Keyser

VP IT

5

Patty Calotis

Training & IRA Specialist

## PRIZE SPONSORS

- Aspen Landscape
- Auto Mentors
- Automotive Management Services
- Bankcard Compliance
- Bay View Building Maintenance
- BIT
- CEO Promotions
- Cook Security
- CO-OP
- Cross Point NW
- CU Business Group
- CUDL
- CUNA Mutual
- Delta Fire Inc.
- Digital Insight
- Equifax
- Fiserv
- Hunter Davidson
- The Killers
- Lipsky Research
- Meadow Outdoor
- Mortgage Click
- Moss Adams
- Pacific Office Automation
- Paulson Printing
- TENA Companies Inc.
- Total Merchant Concepts
- USI Benefit's Broker
- XP



## OUR PEOPLE

### BOARD OF DIRECTORS

Paresh Patel	Chairman
Nancy Morgan	Vice Chair
Phil Livesley	Treasurer
Ron Miller	Secretary
Larry Long	Director
Linda McKinney	Director
Harry Speropulos	Director
Henry Tieu	Director
Spencer Wedlund	Director
Shara Wokal	Assoc. Director

### SUPERVISORY COMMITTEE

Robert Mealey	Chairman
Tim Winner	Secretary
Larry Long	Member

### SENIOR MANAGEMENT

Tom Griffith	President/CEO
Laureen Boda	SVP CFO
Diane Calvin	SVP CLO
Dana Eaton	VP Marketing & Member Service
Dave Thompson	VP Human Resources & Risk Management
Eric Keyser	VP IT

**ERIN WAY BRANCH**

12005 NE Erin Way  
Portland, OR 97220  
503.256.5858

**911/BPA BRANCH**

911 NE 11<sup>th</sup> Ave.  
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  
800.444.5858



NCUA

[pnwfcu.org](http://pnwfcu.org) | 800.444.5858

*ANOTHER GREAT YEAR  
IN THE PACIFIC NW*