



**Banking like
you wouldn't
believe!**

Annual Report: 2017

Message From The Chairman Of The Board

Those of you with multiple accounts at KaiPerm – checking, savings, Visa card, car loan, mortgages – you are at the heart of our cooperative approach to getting ahead, financially. Even if you think the amount of your total business is small, across the various loan and savings products, it really adds up for KaiPerm credit union.

We grew by serving a couple of hundred new members last year, and are on track for a similar number in 2017. Relatives of our current members may want to use our direct deposit checking account just to receive the 6% interest rate (on the first \$1000 dollars deposited). It is a rewarding way to get into the habit of saving.

Overall, we do pay more interest to you on deposits, and charge you less for loans. Generally, we charge substantially less than our competitors loans.

Our staff have the experience to help you get ahead financially, whether you have great credit or not so great credit.

The work of your Board of Directors has, together with credit union management, been collegial and effective. It is the work of all our volunteers that is so remarkable, to me.

We continue to be impressed with our on-going Supervisory Committee efforts, as led by Carla Robertson. Insuring the safety and soundness of your Credit Union requires teamwork between volunteers and management. We do have that teamwork.

At KaiPerm our goal is that members see us as their financial partners, who are working with them for their financial success. So long as this is true, you can be confident of a strong performance from your credit union. Thank you again, for choosing KaiPerm.

Alexander Lamb
Chairman of the Board
May, 2017

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Report Of The Supervisory Committee

The Supervisory Committee, appointed by the Credit Union's Board of Directors, is responsible for appraising policies, making recommendations to the Board, reviewing operational procedures, ensuring the safety of members' funds, safeguarding members' and officials' interests, reviewing loans to officials, and being continually aware of the Credit Union's state of operations.

The Committee reviews monthly bank reconciliations, sends confirmations on closed accounts, verifies adequate documentation of new loans, new member accounts and address changes on a sample basis, and performs an audit of a variety of other functions. Confirmations are distributed every two years on all share and loan accounts to verify the completeness, validity, and accuracy of the Credit Union records.

The Committee also contracts for an annual audit with an independent auditor, Bill Matsuda. The audit is completed in accordance with the rules and regulations of the National Credit Union Administration (NCUA) and GAAP accounting. The most recent audit (April, 2017) covers the time period January 1, 2016 through February 28, 2017.

Examiner Michael Zeigler II, an Examiner with The National Credit Union Administration, also conducted an examination effective December 31, 2016. As of the writing of this report, we have received a draft of the report, but not the final. The Exit Review has not been conducted or even scheduled. These delays are due to issues within NCUA, not KPCU.

The Credit Union's management and Board of Directors have developed strong policies and procedures to protect members' assets. These audits are a reflection of their diligence.

The Supervisory committee is pleased with the management of our Credit Union, its services, and its commitment to our members. The Committee appreciates the assistance and cooperation of staff and management during the Supervisory Committee audits.

Since the expansion of the Supervisory Committee in 2015, we have been more productive in the completion of our audits. As of this writing, we have completed 76% of 2016 audits. Thank you to Leonard Hayes, Bill Criteser, Julie Hollister-Smith, John Flaherty for their conscientious and reliable work for the Credit Union.

Carla Robertson
Chair, Supervisory Committee
May, 2017

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Message From The CEO

2016 was a relatively good year for the credit union and its member/owners.

It started with our move to extend the 6% dividend paid to **Direct Advantage** checking account holders. While the rest of the banking industry is adding fees or a required number of transactions to checking accounts...and only a handful of financial institutions pay dividends on checking accounts. 6% on balances of up to \$1,000— who even comes close to that? No one!

“DA” members also gain from a plethora of other benefits...too many to list. This package of banking services validates the credit union’s purpose to help our members thrive financially. Nearly 70% of members have their checking account with KaiPerm.

On the lending front— members also took advantage of our low loan rates...resulting in a 9% increase in lending this past year. The credit union’s skip-a-pay program was very popular, as were our “Summer Fun” and “Holiday” loan programs. And have you heard about KaiPerm’s VISA transfer and no interest for six months programs?

Interestingly, members are still refinancing their mortgage loans into credit union real estate loans. First mortgage loans increased nearly 17% during 2016! Members enjoy really good service and common sense solutions to their borrowing questions. And best of all, KaiPerm does not “risk rate” loans by charging exorbitant interest rates for members who don’t have A+ credit. That means big savings for most borrowing members. Give our loan department a call to find out more about these terrific loan promotions or go to our website: kaipermnw.org

Cyber security continues to be a huge concern for all financial institutions. In 2016, KPCU increased its cyber budget. We established a cyber security committee, enhanced our existing monitoring practices and signed an exclusive contract with a firm specializing in cyber security coverage. Our electronic products have the highest protection so you can feel comfortable taking advantage of these services and products.

Like any business, KaiPerm needs to grow. In 2016, membership increased by 207 new members. And 2017 member growth goal forecasts another positive year.

Helping members “Thrive Financially” is the sole purpose that drives us. When we read - over and over again - that people are not saving enough, that they don’t hold even minimal amounts in their accounts to fall back on in cases of need or emergency, it is troubling. So, if we can give members a good reason to buck this national dilemma, we are doing what the credit union should be doing. Our “DA” package is the strongest element in our products/services arsenal. The more members that move to it, the better for the credit union. And yes, the better for you.

Thank you for your support and financial commitment to KaiPerm.

Ed Waite
CEO, KaiPerm Northwest Credit Union
May, 2017

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KPCU: Statement Of Financial Condition

12/31/2016

ASSETS

Total Loans	\$37,393,855.64
Allowance for Loan and Lease Loss	<u>-\$708,149.93</u>
Net Loans Outstanding	\$36,685,705.71
Total Cash & Cash Equivalents	\$9,127,155.85
Investments	\$30,558,188.13
Prepaid & Deferred Expenses	\$80,759.87
Furniture, Fixtures & Equip (Net)	\$13,040.75
Accrued Income	\$96,231.17
NCUSIF	<u>\$701,596.66</u>
Total Assets	\$77,262,678.14

LIABILITIES AND EQUITY

Accounts Payable	\$158,614.88
All Other Liabilities	<u>\$1,701,969.67</u>
Total Liabilities	\$1,860,584.55
Total Shares	\$67,051,313.62
Regular Reserve	\$712,564.82
Unrealized Gain(Loss) on Investments	\$394,549.98
Undivided Earnings	<u>\$7,243,665.17</u>
Total Equity	<u>\$75,402,093.59</u>
Total Liability & Equity	\$77,262,678.14

HOW MEMBERS USE THE CREDIT UNION

Total Number of Members	6,019
Number of Members With "DA" Checking	3,448
Number of Members Doing Banking Online	3,581
Number of Members With Auto Loans	943
Amount loaned to members in 2016	\$21,328,230

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KPCU: Statement Of Income & Expense

INCOME

Income From Loans	\$1,550,971.53
Investment Income	<u>\$768,152.41</u>
Total Banking Income	\$2,319,123.94
Interest Paid On Deposits	<u>-\$287,963.38</u>
Net Interest Income	\$2,031,160.56
Provision For Loan Loss	<u>-\$116,795.73</u>
Net Interest Income after Provision	\$1,914,364.83
Income From Fees & Charges	\$320,926.09
Other Income	<u>\$617,031.52</u>
Gross Income: 2016	\$2,852,322.44

OPERATING EXPENSES

Salaries	\$696,491.84
Pension	\$85,992.10
Employee Benefits	\$138,574.28
Travel & Conference	\$27,311.22
Association Dues	\$4,644.80
Office Occupancy	\$111,604.62
Office Operations	\$371,464.30
Education & Marketing	\$59,399.72
Loan Servicing	\$47,617.59
Outside Services	\$625,342.98
Examination Fees	\$11,120.00
Cash Over/Short	\$30.04
Annual Meeting	\$8,700.00
Misc. Operating Exp.	\$12,727.78
Depreciation Expense	<u>\$29,944.47</u>
Total Operating Expenses	\$2,230,965.74
Net Income: 2016	\$621,356.70

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Statement Of Changes In Equity

Period Ending 12/31/2016

REGULAR RESERVES	This Quarter	Year-to-Date
Balance at Beginning of Period	\$712,564.82	\$712,564.82
Balance at End of Period	\$712,564.82	\$712,564.82
 UNDIVIDED EARNINGS		
Balance at Beginning of Period	\$7,021,902.09	\$6,622,308.47
Additions: Net income after Dividends	\$235,568.24	\$635,161.86
Balance at End of Period	\$7,257,470.33	\$7,257,470.33
 OTHER RESERVES		
	\$394,549.98	\$394,549.98
 TOTAL CREDIT UNION EQUITY	 \$8,364,585.13	 \$8,364,585.13

NOTES TO THE FINANCIAL STATEMENTS

Year Ending 12/31/2016

The accompanying notes are an integral part of the financial statements.

SIGNIFICANT ACCOUNTING POLICIES

LOANS TO MEMBERS AND ALLOWANCE FOR LOAN LOSSES

Loans are stated at the amount of unpaid principle, reduced by an allowance for loan losses. Interest on loans is recognized over the term of the loan and is calculated using the simple interest method on principle amounts outstanding. The allowance for loan losses is established through a provision for loan losses when management believes that the collectability of the principle is unlikely. The allowance is the amount of loans that may become uncollectable based on evaluations of the collectability of loans outstanding. Accrual of interest is discontinued on a loan after the loan becomes three months delinquent.

PENSION PLAN

In January 1997 the credit union established a 401(k) Plan for the employee retirement. All employees of the credit union are eligible for the plan provided they are over twenty-one years of age and have worked for this credit union 1000 hours during the plan year. The base plan is discretionary and matches up to five percent of the

employees' contribution. The Credit Union also offers its employees an incentive-based 401k plan. The maximum payout is nine percent of the employees' gross salary

RECRUITMENT LOAN GUARANTEE

Northwest Permanente (NWP) has a purchase and assumption loan agreement with the credit union in which it refers recruitment loan borrowers to KPCU on an ongoing basis and provides the Credit Union a 100% guarantee to reimburse the Credit Union in the event of default.

POTENTIAL FIELD OF MEMBERSHIP

The credit union's primary field of membership (Kaiser's number of employees) offers 11,604 potential primary memberships as of 2/1/2017, as based on NCUA guidelines for determining family eligibility. The average family size is three, therefore KPCU has a potential membership of 34,812.

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Minutes of Last Year's Annual Meeting

Mark Moisan welcomed everyone to the Annual Meeting. Meeting was called to order at 6:32pm on May 19, 2016 at DoubleTree Hotel in Portland Oregon. As the bylaws state, 15 members in good standing need to be present to establish a quorum. The quorum was exceeded. Meeting was declared.

Meeting was turned over to Ed Waite, the Credit Union CEO. The Credit Union staff was introduced.

Mark provided the Nominating Committee member election results.

Three 3 positions were open for election this year. Up for re-election were Jessica Alexander, Pete Lang and Tyler Wubbena. All three have renewed interest in remaining on the board. As in years past, the Nominating Committee reviewed and approved the qualifications of the individuals who expressed an interest and commitment to serve on the Board of Directors. In accordance with our bylaws, no election was necessary and the three candidates filled the three available positions. All board members were introduced.

Ratification of minutes of last year's meeting. Motion to approve minutes. Motion was seconded. All in favor; none opposed.

Annual Meeting reports were brought to the attention of the membership. Motion was made to approve reports. Motion was seconded. All in favor; none opposed.

Mark opened the meeting to any unfinished business or new business. No unfinished or new business declared.

Meeting was then turned over to Maria Zarate for recognition awards. Maria recognized and awarded the Credit Union Representatives. Maria also acknowledged donation of prizes. Door prizes were drawn and awarded.

Motion to adjourn meeting. Motion was seconded. All in favor; none opposed

Jessica Alexander

Secretary / Treasurer

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MANY THANKS TO KPCU'S FANTASTIC VOLUNTEERS!

Board Of Directors

Alex Lamb (Chair)
Bill Borok (Vice Chair)
Jessica Alexander (Sec/Treas)
Bill Criteser
Pete Lang

Chris Markesino
Mark Moisan
Tyler Wubbena
Kimberly Williamson

Supervisory Committee

Carla Robertson (Chair)
Bill Criteser

Julie Hollister-Smith
John Flaherty

Other KPCU Volunteers

John Flaherty— Facilities/Budget Review
Cherie Elder— Nominating
Judi Nikolas— Nominating
Robert Oun— Marketing

Linda Jorgensen— Annual Meeting
Steve VanHee— HR Policy Review
Gary Vandeventer— Bylaws
Ray Robertson— Retirement Plan Trustee

AND...MANY THANKS TO OUR LOYAL AND DEDICATED STAFF!

Angelica Bell— New Accounts
Mirela Botoroaga— Member Service Rep
Peggy Doyle— Lending Manager
Jessica Forbes— Member Service Rep
Holly Luu— Accounting Specialist
Kyle Miller— Loan Officer

Angela Oscar— Member Service Rep
Sarah Oxford— Member Service Rep
Nancy Vlcek— Support Specialist
Ed Waite— Chief Executive officer
Angela Webster— Loan Officer
Maria Zarate— Vice President

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