

KaiPerm Credit Union
Annual Meeting Report
May 16, 2023



Banking like you wouldn't believe!

KAIPERM NORTHWEST FEDERAL CREDIT UNION – PORTLAND, OREGON

Message From The Chairman Of The Board

Dear Kaiperm Members

Thank you for your business and support.

Kaiperm is doing well. We have over 100 million dollars in deposits which allows us to help our 6,000+ members secure loans for automobiles, houses and daily life. With Fed increasing interest rates to all banks, (to reduce inflation rates), Kaiperm is well positioned to offer higher rates of return on member deposits.

Office staff positions are all full for the first time in a couple years allowing us to better serve you in a personal manor whether by phone; email or in person. With all positions full it has been nice for me to walk through the office seeing all buzz of activity, positive vibes that the Kaiperm office has to offer.

Our mission is... "Getting you ahead financially!"

One of our products this year is focused on Direct Checking account where we offer an 8% return on the first \$1,000 of your direct checking account. ALL of our members can enjoy this high return on direct checking.

CD's are another product we offer with high rates and various timelines for maturity. Please look at our specific CD offerings on-line, by phone, or in person. It is a good time to invest in CDs because of the high rate of return right now.

What's Kaiperm's advantage? Members continually share stories with us how pleased they are with our personal attention for their financial needs. We help every member despite any and all challenges of life, so take advantage of our offering, personal service, and please share Kaiperm with your coworkers, friends and family.

Sincerely

Dr Bill Borok
Chairman

Report of the Supervisory Committee - Year 2022

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. The audit covering the period of July 1, 2021, through June 30, 2022 was conducted by Daren Tanner. The audit was completed in accordance with the rules and regulations of the National Credit Union Administration (NCUA) and GAAP accounting. There was one finding this year: a routine cash count had not been conducted at the Westside Branch. A policy and process has been established and this finding has been rectified.

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.

Our Committee members have worked diligently to get their assignments completed. We even have one member working remotely. Everyone is very much appreciated. Thank you to Bill Criteser, Julie Hollister-Smith, John Flaherty and our newest member Colette Draper for their conscientious and reliable work for the Credit Union.

Carla Robertson
Chair

Message From The CEO

A year like no other

The COVID crisis continues to impact our lives in powerful ways. The year 2022 been an incredibly challenging and unprecedented period. Inflation became a harsh reality and reached 6.5% by year end. Unfortunately, the Fed has a long way to go to reduce inflation to its stated 2% goal. There is good news; deposit rates are rapidly rising for the first time in many years!

Delivering on our strategy

Our commitment of helping members *get ahead financially* has been the credit union's guiding principle for many years. During these unparalleled times, the credit union has an obligation and responsibility to remain level-headed and continue to build a more sustainable future for our members. The credit union's long-term strategy provides low-cost lending (we do not risk rate member loans), pays high dividends and controls operational costs. In a very competitive and demanding business context, your credit union delivered strong operating and financial results across all key indicators in 2022.

The KaiPerm commitment

Members are facing a crisis that affects us all and requires each one of us to take responsibility and play our part. The key component in KaiPerm's relationship with our member/owners is trust. Our staff is the primary conduit to do just that. Their service is top-notch and their work ethic is deeply appreciated. The work they do every day is a major contributor to our success and the value members receive.

Self-service products are safe and secure

KaiPerm's self-service account access is the norm for members to access their accounts 24/7. Remote deposit capture (RDC) was introduced at the start of the pandemic. It is a safe and easy to use product to deposit checks and access your funds. KaiPerm's partnership with US Bank ("Money Pass") is a big plus for members who are out of town or not close to a branch office. Members can deposit a check or get cash at hundreds of US Bank ATMs.

Home Equity Line of Credit (HELOC) borrowing continued throughout 2022. Members are using the equity in their homes to consolidate debts, start long-delayed home improvement projects or pay for children's education. The credit union's VISA program is growing even faster. Members are taking advantage of KaiPerm's low 9.95% Direct Advantage (DA) member fixed rate.

Cyber protection and education

KaiPerm offers members a cyber-security software educational program. KnowBe4 is the largest trainer of computer security awareness programs. KnowBe4 is a great education tool for the whole family. Call the credit union and get signed up. It is a free service provided by KaiPerm.

Last, the credit union wishes our member-owners all the best of financial health in 2023. Thank you for your commitment and support.

Ed Waite
CEO

KPCU: Statement Of Financial Condition

12/31/2022

Assets

Total Loans	\$60,233,447.20
Allowance for Loan and Lease Loss	<u>-\$961,028.59</u>
Net Loans Outstanding	\$59,272,418.61
Total Cash & Cash Equivalents	\$8,177,658.93
Investments	\$60,387,188.51
Prepaid & Deferred Expenses	\$99,535.22
Furniture & Fixtures & Equip (Net)	\$182,713.13
Accrued Income	\$238,542.74
NCUSIF	<u>\$1,043,763.59</u>
Total Assets	\$129,401,820.73

Liabilities and Equity

Accounts Payable	\$227,317.94
All Other Liabilities	<u>\$5,330,540.92</u>
Total Liabilities	\$5,557,858.86
Total Shares	\$110,794,200.50
Regular Reserve	\$712,564.82
Unrealized Gain(Loss) on Investments	-\$421,820.79
Undivided Earnings	<u>\$12,759,017.34</u>
Total Equity	<u>\$123,843,961.87</u>
Total Liability & Equity	\$129,401,820.73

How Members Use the Credit Union

Total Number of Members	6,024
Number of Members with "DA" Checking	3,653
Number of Members Doing Banking Online	3,945
Amount Loaned to Members in 2022	\$22,430,618.67

KPCU: Statement Of Income & Expense

12/31/2022

Income

Income From Loans	\$2,117,670.71
Investment Income	<u>\$938,715.41</u>
Total Banking Income	\$3,056,386.12
Interest Paid on Deposits	<u>-\$418,177.26</u>
Net Interest Income	\$2,638,208.86
Provision for Loan Loss	<u>-\$26,976.97</u>
Net Interest Income After Provision	\$2,611,231.89
Income From Fees & Charges	\$310,353.55
Other Income	<u>\$886,776.01</u>
Gross Income: 2022	\$3,808,361.45

Operating Expenses

Salaries	\$927,277.44
Pension 401(k)	\$71,963.25
Employee Benefits	\$161,772.67
Travel & Conference	\$25,079.55
Association Dues	\$7,751.51
Office Occupancy	\$108,097.43
Office Operations	\$504,154.52
Education & Marketing	\$24,000.00
Loan Servicing	\$31,397.07
Outside Services	\$704,220.80
Examination Fees	\$20,808.38
Cash Over/Short	\$1,254.50
Misc. Operating Expense	\$9,000.00
Depreciation Expense	<u>\$42,428.42</u>
Total Operating Expenses	<u>\$2,639,205.54</u>
Net Income: 2022	\$1,169,155.91

KPCU: Statement Of Changes In Equity

Period Ending 12/31/2022

<u>Undivided Earnings</u>	<u>Year-to-Date</u>
Balance at Beginning of Period	\$11,589,861.43
Additions: Net Income After Dividends	<u>\$1,169,155.91</u>
Balance at End of Period (UE)	\$12,759,017.34
<u>Regular Reserves/Other (Net)</u>	\$290,744.03
Total Credit Union Equity	\$13,049,761.37

Notes To The Financial Statements

Year Ending 12/31/2022

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

Significant Accounting Principles

LOANS TO MEMBERS AND ALLOWANCE FOR LOAN LOSSES

Loans are stated at the amount of unpaid principle. 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 six percent of the employees' contribution. The Credit Union also offers its employees an incentive-based 401(k) plan. The maximum payout is eight percent of the employees' gross salary.

RECRUITMENT LOAN GUARANTEE

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

POTENTIAL FIELD OF MEMBERSHIP

The Credit Union's primary field of membership (Kaiser's number of employees) offers 12,514 potential primary memberships as of 04/29/2022, as based on NCUA guidelines for determining family eligibility. The average family size is three; therefore KPCU has a potential membership of 37,542.

REGULAR RESERVES/OTHER (NET)

The Regular Reserve is an equity account with a book balance of \$712,564.82. In addition, the credit union's available for sale (AFS) investments have negative value of \$421,820.79. The two accounts have a net combined balance of \$290,744.03. AFS investments have a readily available market price and are reflected other comprehensive income (OCI) until they are sold.

Minutes of Last Year's Annual Meeting

Vice Chair, Bill Borok welcomed everyone to the Annual Meeting.

The Meeting was called to order at 6:30 pm on May 17, 2022.

As the bylaws state, 15 members in good standing must be present to establish a quorum. The quorum was exceeded and the meeting was declared open.

Ratification of last year's minutes. Annual Meeting minutes and reports were brought to the attention of the membership and the floor was opened up for questions. No questions were presented.

Motion was made to approve minutes and the Motion was seconded. All in favor, none opposed.

The meeting was turned over to CEO, Ed Waite. Ed welcomed everyone back after 2 years of Virtual meetings. Ed acknowledged the Volunteers and Staff. Ed introduced the staff.

The meeting was turned over to Holly Morgan – Secretary/Treasurer. Holly gave her own testimonial of her experience with KaiPerm and spoke of what it means to be a KaiPerm NW FCU member. She encouraged everyone to tell their coworkers and friends to spread the news. She also pointed out the DA program and let people know that even if they do not work at Kaiser any longer they can still be members. Holly also let everyone know that the Board of Directors takes measures to remain competitive within the market.

The meeting was turned back over to Bill Borok. Bill opened the meeting for any unfinished business or questions. None were presented.

Bill introduced Carla Robertson – Supervisory Committee and Annual Meeting Chairman. Carla thanked the Annual Meeting committee for their help and explained the drawing process for the prizes.

Carla introduced Peggy Doyle – VP of Lending and Operations. Peggy announced the winners of the prizes.

Motion was made to adjourn the meeting. Motion was seconded. All in favor, none opposed.

Holly Morgan

Secretary / Treasurer

Last, but not least...

Many Thanks to KPCU's Fantastic Volunteers

Board of Directors

Bill Borok (Chair)
Dr. Tom Stibolt (Vice Chair)
Holly Morgan (Sec/Treas)
Spencer Frost
Chris Lattig

Sam Hayden
Sean Jones
Peter Lang
Tyler Wubbena

Supervisory Committee

Carla Robertson (Chair)
Bill Criteser

Julie Hollister-Smith
John Flaherty

Other KPCU Volunteers

John Flaherty – Facilities/Budget Review
Gary Vandeventer – Bylaws
Holly Morgan – Annual Meeting

Ray Robertson – Retirement Plan Trustee &
Budget Review
Steve VanHee – HR Policy Review
Dr. Tom Stibolt – Cyber Security

And...To Our Loyal and Dedicated Staff!

Laura Ashby – Loan Officer
Angela Baldwin – MSR
Mirela Botoroaga – MSR
Peggy Doyle – VP of Lending & Operations
Tina Fadden – MSR
Alejandra Gonzales – Loan Processor/
Scanner
Nikki Hoffmann – MSR
Cecelia Hurley – MSR

Tish Kilcher – Support Specialist
Alex Lamb – VP of Development
Holly Luu – VP of Accounting
Katherine McGee – New Account Rep
Angela Oscar – Loan Officer
Sarah Oxford – Accounting Specialist
Cassandra Schanno – MSR
Ed Waite – CEO