

KaiPerm Credit Union Annual Meeting Report



May 24, 2018

Banking like you wouldn't believe!

KAIPERM NORTHWEST FEDERAL CREDIT UNION – PORTLAND, OREGON

Message From The Chairman Of The Board

Your Board of Directors are composed of a diverse group that has experience with many facets in business, health care, and our community. At our board meetings the directors are cordial to one another and each presents their respective opinions to the group concerning the topic at hand. The group's ability to efficiently solve problems at hand, because of our collective experience, often amazes me. At the end of our monthly meetings I often comment to the directors what a wonderful group it is to work with.

KaiPerm continues to grow steadily. When I initially joined the board twelve years ago, I quietly observed the dynamics of board personalities and the efficient workings of the KaiPerm office staff. I was impressed with the management leadership and the true dedication of the workforce. Our KaiPerm board of directors has worked well together over this last decade to ensure the credit union remains a solvent financial entity. In that time, our assets have increased from 40 million dollars to 90 million dollars. Wow! In the next few years we are projected to surpass 100 million dollars in assets. Congratulations to all in this room. Every one of us has contributed to our credit union's success.

Working in concert with the Directors is our Supervisory committee. We would really like to bring attention to this particular group for their dedication and detail. Bill Matsuda, our long time Auditor, mentioned that this is THE BEST committee he has ever seen. Carla Robertson deserves special note and we are the fortunate recipients of the committee's time and effort.

Lastly, how about that 6% Direct Advantage checking account? What a wonderful benefit available to every one of our KaiPerm members. What a great place to bank with!

Enjoy the evening.

Bill Borok
Vice Chair of the Board
May 2018

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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 2016 Audit overlapped with the NCUA Audit slightly, therefore part of 2017 was included: 12/31/15-2/28/17. The next Supervisory Committee audit is scheduled to begin in late April or early May and will cover the time period 2/28/17-3/31/18.

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 80% of 2017 audits. Thank you to Bill Criteser, Julie Hollister-Smith, and John Flaherty for their conscientious and reliable work for the Credit Union.

Carla Robertson
Chair
May, 2018

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Message From The CEO

Your credit union is up to “no good”. That’s right! KaiPerm is no good for high loan rate lenders, no good for low dividend rate paying financial institutions or for high fees and minimum balance account competitors. Thanks to our member/owners commitment and loyalty, the credit union continued with its intention statement of “helping members get ahead financially”. More members are doing more business with KaiPerm than ever before.

Our legacy is to do things based on member needs and not for financial return. We’ve kept loan rates very competitive and increased dividend rates. Fees are low and our overdraft advances on DA checking accounts help members avoid overdrawing their checking accounts.

This year, loans increased over 13%. Mortgage lending was good (but not crazy). Surprisingly, the credit union did a large volume of refinancing member’s existing mortgages. Now is a good time to see us to refinance your home to a fixed rate mortgage loan at KaiPerm.

Consumer lending continues to be steady. Our members are conservative, thoughtful and borrow for good reasons. They make informed decisions . . . like talking with KaiPerm before making big purchases or major financial decisions. This year, for example, the credit union emphasized pre-approvals for auto loans. After all, who wants to walk onto an auto dealership lot? Our loan officers not only will pre-approve your loan but give you tips on buying your next car. Even better, we’ll refer you to our trusted auto broker partner, Auto Mentors.

We’ll continue to provide first class cyber security coverage of our ever-growing electronic product mix. KaiPerm’s cyber committee works closely with a third party vendor that specializes in providing top line security protection. You can feel safe and secure using KaiPerm technology. We are striving to preserve our best in class technology products while keeping them simple and easy to use. Did you notice that we just recently upgraded our website? The new site is easy to navigate and full of useable information. You will find us at kaipermnw.org. And the credit union’s new partnership with DocuSign makes borrowing much more convenient.

Don’t forget to tell friends about KaiPerm’s incredible Direct Advantage (DA) checking account. In today’s low interest rate environment, KaiPerm pays 6% on the first \$1000 in the account plus .11% on balances above \$1000. And there is no minimum balance! It is the best deal in the financial services industry. No one else does that!

Helping members “GAF” (get ahead financially) is the sole purpose that drives us. When we read – over and over again – that people are not saving enough, it is troubling. We can give members a good reason to buck this national dilemma. Our Direct Advantage (“DA”) checking account package is the strongest element in our products/services offering. The more members that have DA accounts, the better for the credit union and the more we can do for you.

Thank you for your support and financial commitment to KaiPerm.

Ed Waite
CEO
May 24, 2018

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KPCU: Statement Of Financial Condition

12/31/2017

Assets

Total Loans	\$42,343,164.03
Allowance for Loan and Lease Loss	<u>-\$730,328.29</u>
Net Loans Outstanding	\$41,612,835.74
Total Cash & Cash Equivalents	\$12,484,038.70
Investments	\$26,549,670.17
Prepaid & Deferred Expenses	\$58,692.17
Furniture & Fixtures & Equip (Net)	\$ 3,578.67
Accrued Income	\$103,960.57
NCUSIF	<u>\$687,528.40</u>
Total Assets	\$81,500,304.42

Liabilities and Equity

Accounts Payable	\$342,128.45
All Other Liabilities	<u>\$1,007,147.29</u>
Total Liabilities	\$1,349,275.74
Total Shares	\$70,872,644.47
Regular Reserve	\$712,564.82
Unrealized Gain(Loss) on Investments	\$402,149.96
Undivided Earnings	<u>\$8,163,669.43</u>
Total Equity	<u>\$80,151,028.68</u>
Total Liability & Equity	\$81,500,304.42

How Members Use the Credit Union

Total Number of Members	6,192
Number of Members with "DA" Checking	3,707
Number of Members Doing Banking Online	3,367
Amount Loaned to Members in 2017	\$22,155,321.31

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KPCU: Statement Of Income & Expense

12/31/2017

Income

Income From Loans	\$1,650,439.51
Investment Income	<u>\$795,874.83</u>
Total Banking Income	\$2,446,314.34
Interest Paid on Deposits	<u>-\$306,595.33</u>
Net Interest Income	\$2,139,719.01
Provision for Loan Loss	<u>- \$74,932.33</u>
Net Interest Income After Provision	\$2,064,786.68
Income From Fees & Charges	\$351,537.97
Other Income	<u>\$736,888.66</u>
Gross Income: 2017	\$3,153,213.31

Operating Expenses

Salaries	\$717,627.79
Pension 401(k)	\$79,958.86
Employee Benefits	\$137,066.24
Travel & Conference	\$34,133.41
Association Dues	\$5,272.89
Office Occupancy	\$7,326.75
Office Operations	\$377,926.80
Education & Marketing	\$89,909.02
Loan Servicing	\$51,419.76
Outside Services	\$679,430.86
Examination Fees	\$16,926.95
Cash Over/Short	-\$86.96
Misc. Operating Expense	\$19,045.68
Depreciation Expense	<u>\$17,251.00</u>
Total Operating Expenses	<u>\$2,233,209.05</u>
Net Income: 2017	\$920,004.26

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KPCU: Statement Of Changes In Equity

Period Ending 12/31/2017

<u>Regular Reserves</u>	<u>Year-to-Date</u>
Balance at End of Period	\$712,564.82
<u>Undivided Earnings</u>	
Balance at Beginning of Period	\$7,243,665.17
Additions: Net Income After Dividends	<u>\$920,004.26</u>
Balance at End of Period	\$8,163,669.43
Other Reserves	<u>\$402,149.96</u>
Total Credit Union Equity	\$9,278,384.21

Notes To The Financial Statements

Year Ending 12/31/2017

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 five percent of the employees' contribution. The Credit Union also offers its employees an incentive-based 401(k) 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. 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 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

Alex Lamb welcomed everyone to the Annual Meeting. Meeting was called to order at 6:35pm on May 17, 2017 at DoubleTree Hotel in Portland Oregon. As the bylaws state 15 members in good standing need to be present to establish a quorum. A quorum was exceeded. Meeting was declared.

The meeting was turned over to Ed Waite, the Credit Union CEO. Ed introduced the Credit Union Staff.

Tyler Wubbena provided the Nominating Committee member election results. We had 3 positions open for election this year. Up for re-election were Chris Markesino, Kimberly Williamson and Bill Criteser. All 3 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 3 candidates filled 3 available positions. Board members were introduced.

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

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

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

The meeting was turned over to Maria Zarate. Maria acknowledged donation of prizes. Door prizes were drawn and awarded.

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

Jessica Alexander
Secretary / Treasurer

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Last, but not least...

Many Thanks To Tonight's Event Sponsors

KP Quilters
Kaiser Landscape Services
Kaiser Dental Program
DoubleTree Hotel
Consolidated Community Credit Union

Lloyd Center
Hilton Garden Inn
Glendoveer Golf & Tennis
Skamania Lodge
Courtyard Marriott

Many Thanks to KPCU's Fantastic Volunteers

Board of Directors

Alex Lamb (Chair)
Bill Borok (Vice Chair)
Jessica Alexander (Sec/Treas)
Samuel Hayden
Bill Criteser

Pete Lang
Holly Morgan
Kimberly Williamson
Tyler Wubbena

Supervisory Committee

Carla Robertson (Chair)
Bill Criteser

Julie Hollister-Smith
John Flaherty

Other KPCU Volunteers

John Flaherty – Facilities/Budget Review
Cherie Elder – Nominating Committee
Judi Nikolas – Nominating Committee
Robert Oun – Marketing Committee
Ray Robertson – Retirement Plan Trustee

Linda Jorgensen – Annual Meeting
Steve VanHee – HR Policy Review
Gary Vandeventer – Bylaws
Carla Robertson – Annual Meeting
Dr. Tom Stibolt – Cyber Security

And...Many Thanks To Our Loyal and Dedicated Staff!

Angelica Bell – Member Service Rep
Mirela Botoroaga – Member Service Rep
Peggy Doyle – Lending/Collections Mgr
Jessica Forbes – MSR
Brittany Gallegos – MSR
Tish Kilcher – MSR
Holly Luu – Accounting Specialist

Kyle Miller – Loan Officer
Angela Oscar – New Accounts
Sarah Oxford - MSR
Nancy Vlcek – Support Specialist
Ed Waite - CEO
Angela Webster – Loan Officer
Maria Zarate – Vice President

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