



REPORT TO THE MEMBERSHIP

2018 Annual Report



WE

PEOPLE
THAT'S WHAT
HELPING
WE'RE ABOUT
PEOPLE.

- JENNIFER KUTCHER,
President/CEO

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A MESSAGE FROM JENNIFER AND CAROL

2018 was a transformational year for your credit union, inside and out.

One of the many things we love about this time of year is that it gives us the opportunity to look back on the last 12 months while also offering a glimpse of what the upcoming year holds for all WECU members.

First and foremost, **we are pleased to share that WECU is a strong, stable, and financially sound credit union.** We are well positioned for growth and are committed to enhancing your member experience by introducing new products and services in 2019. Additionally, our commitment to community will stay true, and you'll see us actively engaged in and around Whatcom County all year long, because giving back is in our collective DNA.

By the numbers, we ended 2018 with an 84% increase in dividends paid to our membership. **Our total assets grew to more than \$1.6 billion** (a big milestone!), loan growth was up 14.30% or \$172.5 million, and our certificate portfolio grew over 205%.

Beyond the numbers, we refreshed our voice with a rebrand, modernized our website, and laid a foundation of technology enhancements that will allow us to meet our membership's evolving needs. Along the way, we compiled member feedback that, in turn, will guide us in 2019 and beyond. We know that a few of the changes introduced this past year caused frustration for some of our members, particularly as we navigated through the complexities of introducing both a system upgrade and new online banking platform.

Rest assured, especially on the heels of such change, that **we are committed to excellence.** Excellence in service. Excellence in the banking tools that we provide. Excellence in giving back to our community. And we take your feedback seriously. We want to know what you think. We want to hear from you. We want you to know that your opinion matters.

To provide a concrete example, based on recent comments, we've added additional resources to our Contact Center so you can get the help you need, faster. We also introduced a Member Experience Center to our website, **wecu.com/memberexperiencecenter.** This is the place for you to stay up-to-date on the many enhancements we are making to your WECU experience.

In closing, **thank you for your membership.** You are the heartbeat of this credit union and at the center of every decision we make. Nothing is more important to us. It is our privilege to serve you and we look forward to doing so for generations to come.

Sincerely,



Jennifer

JENNIFER KUTCHER
President/CEO



Carol

CAROL LAGER
Board Chair



Mary, WECU member



Kevin, WECU member



Rose, WECU member



Eva, WECU member

2018 HIGHLIGHTS

Our mission is to make a meaningful difference in the lives of our members. And we want to keep working toward this for generations to come. This means we needed to make changes. Here are three big check boxes we accomplished in 2018.

Rebrand // JULY 23

A new WECU look to put emphasis on what matters most—our members and our community.

A New wecu.com // AUG 22

A modern, more user-friendly way to interact with WECU.

System Upgrade // OCT 1

A foundation of technology that allows us to grow with members' evolving needs.

A LETTER FROM OUR SUPERVISORY COMMITTEE

The Supervisory Committee's primary goals are to ensure that the Credit Union's financial reporting objectives have been met and that practices and procedures safeguard our members' assets.

In addition to the annual audit of the credit union's financial statements and a membership verification audit performed by an independent audit firm, a safety and soundness examination was conducted jointly by the Washington State Department of Financial Institutions (DFI) and the National Credit Union Administration (NCUA) during the year of 2018.

As evaluated in the most recent regulatory examination, WECU exhibits satisfactory performance and risk management practices that consistently provide for safe and sound operations. The examination result confirms the ability of WECU's management to identify, measure, monitor, report, and control inherent risks to the credit union.

2018 SUPERVISORY COMMITTEE



SHONDA SHIPMAN

SUPERVISORY COMMITTEE CHAIR

Serving since 2014



JENNIFER WRIGHT

SUPERVISORY COMMITTEE

Serving since 2017



KURT WILLIS

SUPERVISORY COMMITTEE

Serving since 2013

OUR RESPONSIBILITIES

- 01** Keeping fully informed of the financial condition of WECU and the decisions of its Board of Directors.
- 02** Performing or authorizing a complete annual audit of WECU and reporting the findings of the audit, along with any recommendations, to the Board of Directors.
- 03** Making a report to the members at WECU's annual membership meeting.

Additionally, the following audits were conducted by independent third party auditors over the past year:

- **Real Estate Compliance Audit and Secure and Fair Enforcement for Mortgage Licensing (SAFE) Act Independent Testing // APR 2018**
Assessed and validated WECU's compliance with related real estate rules, regulations, and internal policies, and the SAFE Act requirements.
 - **Bi-Annual Member Business Loan Audits // APR & OCT 2018**
Audited selected member business loans for credit quality, proper underwriting, documentation, and adherence to related rules, regulations, and internal policies.
 - **Retirement Plan Audit // JUNE 2018**
Audited statements of net assets available for plan benefits of the WECU Retirement Plan.
 - **Information Technology Audit // NOV 2018**
Performed an audit designed to evaluate regulatory compliance with Board and management oversight guidelines, regulatory guidelines, and IT best practices for security and controls, network user administration best practices, guidelines for the physical security of IT assets, personnel security, change management guidelines, IT operations guidelines, vendor management guidelines, and business continuity planning guidelines. Controls related to key applications were tested.
 - **Social Engineering Simulation // NOV 2018**
Assessed and evaluated the adequacy of WECU security processes to prevent and respond to possible external and internal attacks that use trickery in order to gain access to sensitive information.
 - **Bank Secrecy Act Independent Testing // NOV 2018**
Assessed and validated WECU's compliance with the Bank Secrecy Act, USA PATRIOT Act, and Office of Foreign Asset Control (OFAC) Regulations.
 - **Automated Clearing House (ACH) Rules Compliance Audit // DEC 2018**
Assessed and validated WECU's compliance with National Automated Clearing House Association (NACHA) ACH Rules.
- During the year, WECU's Internal Audit Department conducted other internal audits to ensure the adequacy of internal control, compliance, operating efficiency, and security of credit union activities.
- The findings and recommendations of each audit conducted by independent third-parties and WECU's Internal Audit Department were reviewed by the Supervisory Committee along with management responses and plans for improvement.
- Each month the Supervisory Committee meets independently in addition to attending monthly Board meetings. Members of the Committee also participate in annual strategic planning retreats and educational training programs.
- Respectfully submitted,
- Shonda Shipman, Chair**
Jennifer Wright
Kurt Willis

2018 BOARD OF DIRECTORS



CAROL LAGER

BOARD CHAIR
Serving since 2006



HARTE BRESSLER

BOARD VICE CHAIR
Serving since 1996



KRISTI LEWIS TYRAN

BOARD SECRETARY
Serving since 2006



CATHIE OBERG

BOARD MEMBER
Serving since 1994



ASHOK KHANNA

BOARD MEMBER
Serving since 1995



MARGO HAMMOND

BOARD MEMBER
Serving since 2017



BRUCE BURPEE

BOARD MEMBER
Serving since 1989



DALE ZENDER

BOARD MEMBER
Serving since 2010



DAVID WASCHKE

BOARD MEMBER
Serving since 1992

ABOUT OUR ELECTIONS

Our Nominating Committee begins its work early each year. Members are notified of the upcoming annual election in the summer and fall newsletters. Election information is posted on WECU's website. Information includes eligibility requirements and how a member may apply to become a candidate.

When an incumbent indicates an interest in being re-elected, the Nominating Committee engages in a vetting process. Each candidate's performance is monitored throughout the year. Volunteers (Board and Supervisory Committee members) also participate in an annual self and peer-review process. The Board as a whole is also evaluated annually. At the August 2018 Board meeting, the evaluation process and results were discussed. The Nominating Committee uses these tools and observations to determine the eligibility and capability of the incumbent.

The Nominating Committee seeks to provide at least one qualified candidate for each position, the result of which is to be determined by a membership vote at each year's Annual Meeting. After the 2018 process of review, interview, and evaluation of incumbents and other candidates, the Nominating Committee is pleased to present four qualified candidates at the February 2019 Annual Meeting.

Per WECU's Bylaws, and the "Modern Rules of Order" under which the Annual Meeting is conducted, nominations from the floor are not allowed. Because there is only one candidate for each position, the Board Chair will call for a motion, and a second, for the following candidates to be elected by acclamation at the February 2019 Annual Meeting:

1. **Kurt Willis, SUPERVISORY COMMITTEE**
2. **Bruce Burpee, DIRECTOR**
3. **Dale Zender, DIRECTOR**
4. **David Waschke, DIRECTOR**

The Chair will then call for those in favor to respond with "Aye;" and then for those opposed to signify with "Nay." The motion will be called.

CANDIDATES ON THE BALLOT
BOARD OF DIRECTORS



BRUCE BURPEE

BOARD OF DIRECTORS, POSITION 1

Employment: Retired Director of Curriculum, Instruction and Assessment/Meridian School District

Education: BA in Education and Masters in Education, WWU

Bio: During Bruce's tenure on the Board of Directors, he has served several times on the Credit, Executive, Nominating and Strategic Planning Committees as well as serving as Chair of the Board for a total of four years.

He has attended numerous training sessions provided by CUNA, CUES, and NWCUA to keep current on trends and regulations in the credit union movement.

Bruce has been involved in public schools for over 41 years, including positions as teacher, principal, assistant superintendent, curriculum director, and education consultant. He continues to be involved in education, supervising several student teachers annually, and volunteering in various leadership capacities in his local school district.



DALE ZENDER

BOARD OF DIRECTORS, POSITION 2

Employment: Chief Executive, Northwest Network, PeaceHealth

Education: CPA, Washington State Board of Accountancy Certified Public Accountant (Inactive); MBA, City University; BA, WWU, College of Business and Economics; Advanced Training Program (ATP) in Healthcare Delivery Improvement, Intermountain HealthCare - Salt Lake City, UT.

Bio: Dale has been employed for the past 36 years by PeaceHealth St. Joseph Medical Center, a Washington not-for-profit corporation sponsored by the Sisters of St. Joseph of Peace.

During his tenure he has built a distinguished and diversified career in the health care industry developing impressive credentials in operations and finance. Dale is well versed in strategic planning with a deep understanding of all aspects of healthcare operations and management.

Active in the community, Dale has served as Chair of WECU's Board, is a Washington State Hospital Association (WSHA) Board Member, and a member of the WSHA Public Policy Committee.



DAVID WASCHKE

BOARD OF DIRECTORS, POSITION 3

Employment: Senior Project Manager/Ershig's, Inc.

Education: BS in Industrial Technology, WWU; MBA from WWU

Bio: David has been employed by Ershig's for 26 years, including positions of Contract Manager, JBR Manager and Senior Project Manager.

In his tenure on the WECU board, David has served on various committees, in addition to serving as WECU's Board Chair, Vice-chair, and Secretary.

His other WECU involvement has included working on the Executive, Partnering, Social Responsibility, Strategic Planning, Nominating, and Credit Committees.

Team WECU (formerly known as SET) projects have been particular favorites of David's.

CANDIDATES ON THE BALLOT
SUPERVISORY COMMITTEE



KURT WILLIS

SUPERVISORY COMMITTEE, POSITION 1

Employment: Associate Director of University Residences at Western Washington University

Education: BA in Social Ecology, University of California, Irvine; M. Ed. in College Student Personnel Administration, Colorado State University.

Bio: In his tenure on WECU's Supervisory Committee, Kurt has served as member and as Chair. Kurt has served 33 years at Western, the past 25 as Associate Director, responsible for the finance and technology matters of the university's Housing & Dining system, overseeing financial planning, budgeting, capital financing, audits, multiple contracts, campus ID program, technology, and other duties as assigned.

Prior to this role he served in other student housing positions at WWU, University of Washington, and the University of California, Davis. Kurt is active in his church community and lives with his wife Katherine and college-attending daughter Kelsey.

Committed to Community



TEAM WECU

130

WECU VOLUNTEERS

270

TIMES VOLUNTEERED

23

EVENTS

FINANCIAL EDUCATION

91

LESSONS PROVIDED

1500+

YOUTH AND ADULT STUDENTS BENEFITED

EDUCATION CENTER

400

APPROXIMATE USES OF THE EDUCATION CENTER

115

NONPROFIT AND SERVICE GROUPS BENEFITED

CHARITABLE GIVING

IN 2018, WECU FINANCIALLY SUPPORTED **170** NONPROFITS.

\$310,000

DONATED TO LOCAL NONPROFITS

\$21,000

ESTIMATED ANNUAL GIFT TO LYDIA PLACE

\$77,000

RAISED FOR UNITED WAY OF WHATCOM COUNTY

\$9,100

RAISED IN LOCAL SCHOOL SUPPLY AND TOY DRIVES

State of the Credit Union

BALANCE SHEET *in millions*

ASSETS	2016	2017	2018
Cash and Cash Equivalents	147.4	120.0	123.6
Total Investments	165.7	105.8	43.9
Total Outstanding Loans	1,007.7	1,206.5	1,379.1
Less: Allowance for Loan & Lease Losses	-6.3	-6.6	-8.1
Net Loans Outstanding	1,001.4	1,199.9	1,371.0
Other Assets			
Land & Building	31.2	31.6	30.9
Other Fixed Assets	2.1	1.3	4.5
NCUA Share Insurance Capitalization Deposit	10.0	11.4	12.2
All Other Assets	8.6	11.0	20.4
Total Other Assets	51.9	55.2	68.0
Total Assets	\$1,366.4	\$1,481.0	\$1,606.5
LIABILITIES			
Accounts Payable & Other Liabilities	20.0	24.0	25.2
MEMBER DEPOSITS			
Checking	227.7	261.4	298.2
Savings	850.2	890.2	907.0
Certificates	12.5	26.5	80.9
IRAs	41.7	42.8	46.0
Money Market	2.8	5.3	4.9
Total Savings and Deposits	1,134.9	1,226.2	1,337.0
EQUITY			
Undivided Earnings & Regular Reserves	210.0	228.6	242.6
Unrealized Gain (Loss) on AFS Investments	1.5	2.2	1.8
Total Equity	211.4	230.8	244.3
Total Liabilities, Deposits, and Equity	\$1,366.4	\$1,481.0	\$1,606.5

\$172.5M

LOAN GROWTH
↑ 14.30%

\$54.4M

CERTIFICATE PORTFOLIO GROWTH
↑ 205.88%

\$197M

AUTO LOANS FUNDED

\$7.4M

TOTAL DIVIDENDS PAID TO MEMBERS
↑ 84%

\$110.8M

DEPOSIT GROWTH
↑ 9.04%

\$125.4M

ASSET GROWTH
↑ 8.47%

\$104.1M

BUSINESS LOANS FUNDED

INCOME STATEMENT *in thousands*

INTEREST INCOME	2016	2017	2018
Interest on Loans	39,899.9	49,158.2	55,326.5
Income from Investments	2,737.7	2,726.3	2,582.4
Total Interest Income	\$42,637.6	\$51,884.4	\$57,908.9
INTEREST EXPENSE			
Dividends on Deposits	3,968.1	4,057.8	7,451.4
Interest on Borrowed Money	0.0	0.5	0.1
Total Interest Expense	3,968.1	4,058.3	7,451.5
Provision for Loan & Lease Losses (PLLL)	1,496.0	3,028.6	5,162.9
Net Interest Income After PLLL	37,173.4	44,797.6	45,294.6
NON-INTEREST INCOME			
Fee Income	8,591.8	9,227.7	9,356.8
Other Operating Income	11,575.2	11,227.8	11,673.1
Gain (Loss) on Disposition of Fixed Assets	0.8	-0.7	1,132.8
Other Non-Operating Income (Expense)	66.9	92.7	931.6
Total Non-Interest Income	20,234.7	20,547.5	23,094.3
NON-INTEREST EXPENSE			
Employee Compensation and Benefits	23,991.3	25,717.8	31,333.7
Training & Development Expense	408.0	291.1	227.7
Office Occupancy Expense	1,836.0	1,908.6	2,715.2
Office Operations Expense	5,941.3	6,497.1	9,027.5
Educational and Promotional Expenses	1,233.3	1,180.0	1,255.2
Loan Servicing Expense	6,428.2	7,905.2	6,293.0
Professional and Outside Services	1,871.5	3,009.9	3,334.3
Operating Fees	229.7	141.5	151.3
Miscellaneous Operating Fees	25.9	68.9	78.9
Total Non-Interest Expense	41,965.2	46,719.9	54,416.7
NET INCOME (LOSS)	15,442.9	18,625.1	13,972.1

LOCATIONS + ATMS

Holly Branch + ATM

600 East Holly St.
Bellingham, WA

Bellis Fair Mall Branch + ATM

Target Wing
Bellingham, WA

Birchwood Branch + ATM

1600 Birchwood Ave.
Bellingham, WA

Fairhaven Branch + ATM

1225 Harris Ave.
Bellingham, WA

Fountain Branch + ATM

2625 Meridian St.
Bellingham, WA

Sudden Valley Branch

1945 Lake Whatcom Blvd.
Sudden Valley, WA

Sunset Branch + ATM

3061 Orleans St.
Bellingham, WA

Blaine Branch + ATM

1773 H St.
Blaine, WA

Everson Branch + ATM

106 East Main St.
Everson, WA

Ferndale Branch + ATM

5659 Barrett Rd.
Ferndale, WA

Lynden Branch + ATM

2045 Front St.
Lynden, WA

Home Loan Center

516 East Holly St.
Bellingham, WA

Business Loan Center + ATM

3410 Woburn St.
Bellingham, WA

ATM-ONLY LOCATIONS

Bellingham Technical College,
G Building

St. Joseph Hospital,
Main Lobby

Northwest Indian College,
Student Bookstore

Whatcom Community College,
Student Union

**Western Washington
University,** Outside Miller Hall

**Western Washington
University,** Inside Viking Union

**Western Washington
University,** Inside the Rec
Center

**Western Washington
University,** Inside Fairhaven
College

4895 Mt. Baker Hwy,
Deming, WA



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Insured by NCUA

EQUAL HOUSING
OPPORTUNITY 

The Equal Housing Opportunity logo consists of a stylized house icon with an equals sign inside it, positioned to the right of the text "EQUAL HOUSING OPPORTUNITY".