



REPORT TO THE MEMBERSHIP

2020 Annual Report



WE

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

- JENNIFER KUTCHER,
President/CEO

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2020 will be remembered as a year full of unexpected challenges. Despite the many trials and tribulations, I am proud of how our Credit Union and our community worked together for the betterment of all. Your membership and support truly made a difference this year.

We are pleased to share that WECU is a strong, stable, and a 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 2021. Additionally, our commitment to community will stay true, and you will see us actively engaged in and around Whatcom County all year long because giving back is in our credit union DNA.

In 2020, we funded over 14,446 loans to our members totaling over \$656 million. Our member deposits increased by over 26% (over \$383 million), increasing our total assets to over \$2 billion.

Furthermore, in 2020 we invested in both our membership and the community in many ways.

LAUNCHING A NEW MOBILE BANKING EXPERIENCE

In January, we launched a new mobile banking experience. The upgrade provided our members with new features and functionality. It has received thousands of five-star reviews in both the Apple and Google Play stores.

CREATING RELIEF PROGRAMS FOR INDIVIDUALS AND BUSINESSES

In March, we quickly developed and launched relief programs for both individuals and small businesses, which included loan forbearances, low-interest rate loans, and adapted skip-a-payment options. We were able to help more than 2,900 members and 85 businesses.

ADAPTING TO SERVE MEMBERS

As an essential business, our branch, Contact Center, Real Estate, and Business Banking teams adjusted to serve member needs. Noteworthy accomplishments included launching online appointment setting, offering video appointments, and digitizing business banking SBA Payment Protection Program (PPP) loan processing.

FUNDING MORE THAN 900 PPP LOANS FOR SMALL BUSINESSES

WECU's Business Banking team was able to help more than 900 small businesses receive PPP loans through the SBA. These loans have helped to retain more than 4,000 local jobs.

DONATING TO NONPROFITS THAT MAKE A DIFFERENCE EVERY DAY

Donations in 2020 totaled more than \$480,000. In March \$30,000 was donated to three nonprofits working to meet our most vulnerable populations' basic needs amidst the COVID-19 pandemic.

In closing, thank you for your membership. Thank you for trusting in us, as we continue to listen, learn, and improve your experience with us. It is our privilege to serve you and we look forward to doing so for generations to come.

Sincerely,



JENNIFER KUTCHER
President/CEO



HARTE BRESSLER
Board Chair



2020 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. Here are three highlights from 2020.

New Mobile App //

To better serve our members, we launched a new mobile app experience in January.

Education First //

In September, \$110,000 was given to three different nonprofits advancing education in our community in its various forms. This program pays tribute to WECU's founding in 1936 as Bellingham Teachers Credit Union.

PPP Loan Program //

Our business banking team worked to issue more than 900 PPP loans through the SBA. These loans helped to retain more than 4,000 local jobs.



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.

To meet these goals, the Supervisory Committee is responsible for:

- Keeping fully informed as to the financial condition of the Credit Union and the decisions of the Credit Union's Board of Directors.
- Performing or authorizing a complete annual audit of the Credit Union and reporting the findings of the audit, along with any recommendations, to the Credit Union's Board of Directors.

- Making a report to the members at the Credit Union's annual membership meeting.

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 2020.

As evaluated in the most recent regulatory examination, WECU exhibits satisfactory performance and risk management practices that consistently provide for safe and sound operations.

As stated in the most recent opinion audit report,

2020 SUPERVISORY COMMITTEE



KURT WILLIS

SUPERVISORY COMMITTEE, CHAIR

Serving since 2013



JENNIFER WRIGHT

SUPERVISORY COMMITTEE

Serving since 2017



SHONDA SHIPMAN

SUPERVISORY COMMITTEE

Serving since 2014

OUR RESPONSIBILITIES

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

WECU's financial statements present fairly, in all material respects, the financial position of the Credit Union and the results of its operations and its cash flows, in conformity with generally accepted accounting principles.

The most recent opinion audit and the regulatory exam results support WECU's management's ability to properly and accurately identify, measure, monitor, report, and control the inherent risks of the credit union.

Additionally, the following successful audits were conducted by WECU's Internal Audit team or independent third-party audit service providers over the past year:

- Information Technology Audit & Information Security Assessments
- Bank Secrecy Act Independent Testing & Audit
- Automated Clearing House (ACH) Audit
- Member Business Loan (MBL) Audit
- Secure and Fair Enforcement for Mortgage Licensing (SAFE) Act Audit
- Supervisor/Employee Relationship Audit
- Board of Directors, Supervisory Committee, & President/CEO Loan Audit
- Retirement Plan Audit
- Vendor Management Program Audit
- Wire Audit
- Corporate Credit Card Audit

In addition to the findings and recommendations from the regulatory examinations and the opinion audit, the results of the audits conducted by the Internal Audit team and/or third-party audit service providers were reviewed by the Supervisory Committee during the year, along with management responses and plans for improvement.

The Internal Audit team monitors and follows-up on all internal and external audit engagement findings and recommendations and provides subsequent updates to the Supervisory Committee, as appropriate.

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,

Kurt Willis, Chair

Jennifer Wright

Shonda Shipman

2020 BOARD OF DIRECTORS



HARTE BRESSLER

BOARD CHAIR
Serving since 1996



DAVID WASCHKE

BOARD MEMBER
Serving since 1992



MARGO HAMMOND

BOARD SECRETARY
Serving since 2017



CATHIE OBERG

BOARD MEMBER
Serving since 1994



ASHOK KHANNA

BOARD MEMBER
Serving since 1995



CAROL LAGER

BOARD CHAIR
Serving since 2006



GABRIEL MAST

BOARD MEMBER
Serving since 2019



DALE ZENDER

BOARD MEMBER
Serving since 2010



KRISTI LEWIS TYRAN

BOARD MEMBER
Serving since 2006

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 incumbent 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 2020 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 2020 process of review, interview, and evaluation of incumbents and other candidates, the Nominating Committee is pleased to present four qualified candidates at the February 2021 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 Vice-Chair will call for a motion, and a second, for the following candidates to be elected by acclamation at the February 2021 Annual Meeting:

1. **Jennifer Wright, SUPERVISORY COMMITTEE**
2. **Harte Bressler, DIRECTOR**
3. **Margo Hammond, DIRECTOR**
4. **Dr. Kristi Lewis Tyran, DIRECTOR**

The Vice-Chair will then call for those in favor to respond with the raise hand function; and then those opposed will be given the opportunity to signify with the raise hand function. The motion will be called.

CANDIDATES ON THE BALLOT BOARD OF DIRECTORS



HARTE BRESSLER

BOARD OF DIRECTORS, POSITION 7

Employment: Retired

Education: BS in Computer Science, WWU

Bio: Harte has served on WECU's Board of Directors since August 2011 and is currently serving as Board Chair. He retired in 2020 from the CPA firm of Metcalf Hodges P.S. where he had worked for 43 years, most recently as the managing shareholder. Harte was a member of the WECU Supervisory Committee from 1996-2017. Harte is the treasurer and a director of the Mt. Baker Ski Area. Harte has held board positions in the past with PeaceHealth/ St. Joseph Medical Center; Whatcom Land Trust, Bellingham Mountain Rescue Council, Foundation for Glacier & Environmental Research (Alaska), Mt. Baker Council of the Boy Scouts of America, Bellingham YMCA, and Bellingham Bay Rotary Club.



MARGO HAMMOND

BOARD OF DIRECTORS, POSITION 9

Employment: Retired

Education: BS in Chemistry, WWU; MBA, Seattle University

Bio: Growing up and working in Whatcom County, Margo values volunteering as a way to give back to the community. Being a member of the WECU Board is a way to support WECU as an amazing financial institution leader within our community. Margo has served on the WECU Board as Secretary and Nominating Chair and enjoys participating in the WECU Community events and visiting with WECU members.

CANDIDATES ON THE BALLOT SUPERVISORY COMMITTEE



DR. KRISTI LEWIS TYRAN

BOARD OF DIRECTORS, POSITION 8

Employment: Professor, WWU

Education: MBA, Accounting and Finance, University of Washington, Ph.D., Organizational Behavior, University of California, Irvine

Bio: Kristi is currently serving as Board Vice-chair, and has served as Board Chair, Vice-chair, Secretary, and on a variety of board committees in the past. Dr. Tyran's research, teaching and consulting focus in the areas of leadership and team development. Prior to pursuing her Ph. D, Dr. Tyran was Vice President of Public Finance and Commercial Lending at Bank of America and Key Bank of Alaska. In October 2012, Western Washington University's College of Business Administration and Economics selected Dr. Tyran as its 2012-2013 Distinguished Teaching Fellow. In addition to her professional work, she has over 30 years' experience volunteering on a variety of community boards.



JENNIFER WRIGHT

SUPERVISORY COMMITTEE, POSITION 3

Employment: CPA & Shareholder, Metcalf Hodges P.S.

Education: BA in Accounting, Florida Atlantic University; Master of Taxation, Florida Atlantic University

Bio: Jennifer joined the Bellingham community and Metcalf Hodges in 2009 where she specializes in tax and estate planning. Active in the community, Jennifer serves as treasurer on the boards of the Whatcom Land Trust and the Whatcom FC Rangers, and has served as Chair of the Supervisory Committee. She has also served on the boards of the Northwest Washington Estate Planning Council and Common Threads Farm.



BELLINGHAM FOOD BANK PARTNERSHIP

48

WECU VOLUNTEERS

536

FAMILIES HELPED BY
FOOD DELIVERIES

FINANCIAL EDUCATION

25

LESSONS PROVIDED

832

YOUTH AND ADULT
STUDENTS BENEFITED

CHARITABLE GIVING

IN 2020, WECU FINANCIALLY SUPPORTED **111** NONPROFITS.

\$480,000

DONATED TO
LOCAL NONPROFITS

\$48,500

DONATED TO COVID-19
RELIEF PROGRAMS

\$100,000

RAISED FOR UNITED WAY
OF WHATCOM COUNTY

\$15,000

DONATED TO
WILDFIRE RELIEF

State of the Credit Union

BALANCE SHEET *in millions*

ASSETS	2018	2019	2020
Cash and Cash Equivalents	123.6	142.9	554.6
Total Investments	43.9	20.4	18.0
Total Outstanding Loans	1,377.5	1,486.7	1,503.5
Less: Allowance for Loan & Lease Losses	-8.1	-9.5	-12.8
Net Loans Outstanding	1,369.4	1,477.2	1,490.7
Land & Building	30.9	30.2	29.4
Other Fixed Assets	3.6	7.5	6.5
NCUA Share Insurance Capitalization Deposit	12.2	12.8	15.4
All Other Assets	22.9	21.7	21.8
Total Other Assets	69.6	72.2	73.1
Total Assets	\$1,606.5	\$1,712.8	\$2,136.3
LIABILITIES	2018	2019	2020
Accounts Payable & Other Liabilities	25.2	25.3	30.6
Borrowings	0.0	1.0	21.3
Total Liabilities	25.2	26.3	51.8
MEMBER DEPOSITS	2018	2019	2020
Checking	298.3	326.4	451.0
Savings	942.8	977.2	1,208.5
Certificates & IRA's	91.1	119.6	138.9
Money Market	4.9	4.3	12.1
Total Savings and Deposits	1,332.1	1,423.1	1,810.5
EQUITY	2018	2019	2020
Undivided Earnings & Regular Reserves	242.6	259.1	274.0
Unrealized Gain (Loss) on AFS Investments	1.8	0.0	0.0
Total Equity	244.3	259.1	274.0
Total Liabilities, Deposits, and Equity	\$1,606.5	\$1,712.8	\$2,136.3

\$18.93M

LOAN GROWTH

↑ 1.3%

\$19.34M

CERTIFICATE PORTFOLIO GROWTH

↑ 16.2%

\$122.97M

AUTO LOANS FUNDED

\$5.39M

TOTAL DIVIDENDS PAID TO MEMBERS

INCOME STATEMENT *in thousands*

INTEREST INCOME	2018	2019	2020
Interest on Loans	55,326.5	62,809.6	60,243.0
Income from Investments	2,582.4	2,134.0	1,022.0
Total Interest Income	\$57,908.9	\$64,943.6	\$61,265.0
INTEREST EXPENSE	2018	2019	2020
Dividends on Deposits	7,451.4	9,201.4	5,141.6
Interest on Borrowed Money	0.1	30.0	251.0
Total Interest Expense	7,451.5	9,231.4	5,392.6
Provision for Loan & Lease Losses (PLLL)	5,162.9	6,653.4	5,993.8
Net Interest Income After PLLL	45,294.6	49,058.8	49,878.6
NON-INTEREST INCOME	2018	2019	2020
Fee Income	10,267.7	9,303.4	8,491.6
Other Operating Income	11,897.1	12,354.2	15,185.3
Gain (Loss) on Disposition of Fixed Assets	-2.1	-32.3	-5.1
Other Non-Operating Income (Expense)	931.6	1,474.0	2,029.6
Total Non-Interest Income	23,094.3	23,099.2	25,701.4
NON-INTEREST EXPENSE	2018	2019	2020
Employee Compensation and Benefits	31,333.7	33,821.3	35,084.7
Training & Development Expense	227.7	451.6	241.0
Office Occupancy Expense	2,715.2	2,819.9	3,102.4
Office Operations Expense	9,027.5	9,256.6	10,994.6
Educational and Promotional Expenses	1,255.2	1,350.3	1,188.8
Loan Servicing Expense	6,293.0	6,383.8	6,736.5
Professional and Outside Services	3,334.3	3,115.9	3,144.3
Operating Fees	151.3	121.7	135.1
Miscellaneous Operating Fees	78.9	105.3	38.4
Total Non-Interest Expense	54,416.7	57,426.6	60,666.0
NET INCOME (LOSS)	\$13,972.1	\$14,731.3	\$14,914.1

\$383.11M

DEPOSIT GROWTH

↑ 26.8%

\$423.53M

ASSET GROWTH

↑ 24.7%

\$110M

BUSINESS LOANS FUNDED

*Annual meeting financial statements are unaudited

LOCATIONS + ATMS

Holly Branch + ATM

600 East Holly St.
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 Boulevard
Bellingham, WA

Sunset Branch + ATM

3061 Orleans St.
Bellingham, WA

Bellis Fair Branch + ATM

1 Bellis Fair Parkway
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 Banking 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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EQUAL HOUSING
OPPORTUNITY 