



REPORT TO THE MEMBERSHIP

2021 Annual Report



WE

WE ARE
HERE
FOR
GOOD

- **JENNIFER KUTCHER,**
President/CEO

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As a not-for-profit financial cooperative, WECU does not have shareholders. Instead, we operate for the benefit of our membership and our community. In other words, we are **here for good**.

SUPPORTING LOCAL NONPROFITS

This year, we provided more than \$400,000 to community groups and not-for-profit organizations. These donations come in the form of academic scholarships, sponsorships, and charitable giving.

STEPPING UP WHEN THE COMMUNITY NEEDS US

When floods devastated homes and businesses in November, we moved quickly to roll out a Flood Relief Loan Program. We funded more than sixty low interest rate loans to members negatively impacted by the floods for a total of \$323,000. We also have allowed members impacted to skip loan payments and provided loan extensions. We continued our support through a \$15,000 donation to the Whatcom Community Foundation.

ASSISTING BUSINESSES WITH PPP FORGIVENESS

In 2020 and 2021, WECU's business banking team helped more than 900 small businesses receive Paycheck Protection Program (PPP) loans through the Small Business Administration (SBA). In 2021, we've continued to serve these businesses by helping them receive loan forgiveness from the SBA. These loans have helped to retain more than 4,000 local jobs.

Here for Good - Here for Generations.

We are committed to be here for future generations. We do this through sound and strategic management of the credit union which is driven by member feedback.

A STRONG CREDIT UNION

WECU continues to be financially strong. In 2021, we were recognized as one of the 200 healthiest credit unions in the entire nation. Our membership has grown to more than 142,000 individuals and local businesses with the vast majority in Washington. It is from this growth that we can invest in building a

better credit union.

ONLINE BANKING IMPROVEMENTS

In 2021, we rolled out improvements in both our online banking and mobile banking channels. The updated look and feel provides our membership with more options and greater access to their accounts.

COMPETITIVE LOAN RATES

We were able to provide our membership with some of the lowest interest rate loans ever in the history of the credit union in 2021. More members refinanced their mortgages to save money and reinvest for their future than ever before. We also empowered members to live better lives through auto loans, commercial loans, and personal loans.

YOUR FEEDBACK MATTERS

Our decisions are driven from the needs of our membership. In 2021, we increased the number of ways our members can provide feedback on their experience. Through enhanced surveying via in-person and digital channels, we can pinpoint specific opportunities for improvement. Your voice matters!

YOU MAKE A DIFFERENCE EVERY DAY

By making the choice to bank with WECU, you make a difference. Your membership strengthens this community and provides the ability for your friends and neighbors to flourish.

Thank you for your membership and for allowing us to serve your banking needs.

Sincerely,



JENNIFER KUTCHER
President/CEO



HARTE BRESSLER
Board Chair



2021 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 2021.

Upgraded Online Banking //

To better serve our members, we implemented improvements to our online banking channel.

Education First //

In September, \$110,000 was given to four different nonprofits advancing education in our community: Whatcom Literacy Council, Futures Northwest, Wild Whatcom, and Explorations Academy. This program pays tribute to WECU's founding in 1936 as Bellingham Teachers Credit Union.

Flood Relief Program //

Our team worked to provide members and businesses \$323,000 in flood relief funding.



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; and
- 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; and

- 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 2021.

As evaluated in the most recent regulatory examination, WECU exhibits satisfactory

2021 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 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.

performance and risk management practices that consistently provide for safe and sound operations.

As stated in the most recent opinion audit report, 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
- Real Estate Lending Compliance Audit
- Consumer Lending Compliance Audit
- Peer-to-Peer (P2P), Account-to-Account (A2A), & Mobile Deposit Capture (MDC) Payment

Process Audit

- Membership Application, Denial of Service and Expulsion Process Audit
- Online Banking & Contact Center Fraud 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,

Shonda Shipman, Chair

Kurt Willis

Jennifer Wright



HARTE BRESSLER

BOARD CHAIR
Serving since 1996



KRISTI LEWIS TYRAN

BOARD VICE CHAIR
Serving since 2006



GABRIEL MAST

BOARD SECRETARY
Serving since 2018



CATHIE OBERG

BOARD MEMBER
Serving since 1994



ASHOK KHANNA

BOARD MEMBER
Serving since 1995



CAROL LAGER

BOARD MEMBER
Serving since 2006



MARGO HAMMOND

BOARD MEMBER
Serving since 2017



DALE ZENDER

BOARD MEMBER
Serving since 2010



DAVID WASCHKE

BOARD MEMBER
Serving since 1992

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 2021 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 2021 process of review, interview, and evaluation of incumbents and other candidates, the Nominating Committee is pleased to present four qualified candidates at the February 2022 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 by acclamation for the following candidates to be elected at the February 2022 Annual Meeting:

Gabriel Mast, DIRECTOR

Dale Zender, DIRECTOR

David Waschke, DIRECTOR

Kurt Willis, SUPERVISORY COMMITTEE

The Chair will then call for those in favor to respond with the poll function "aye;" and then those opposed will be given the opportunity to signify with the poll function "nay." The motion will be called.

CANDIDATES ON THE BALLOT BOARD OF DIRECTORS



GABRIEL MAST

BOARD OF DIRECTORS, POSITION 1

Employment: Executive Dean for Instruction, Skagit Valley College

Education: Ph. D., University of Washington, M.S., University of Wisconsin-Madison, M.A.T., Brown University, B.A., Dickinson College

Bio: Gabriel Mast is currently serving as Board Secretary. He was appointed in August 2019 after serving as an Associate Board Member for the previous year.

Dr. Mast currently serves as the Executive Dean for Instruction at Skagit Valley College. He previously worked as an administrator and faculty at Bellingham Technical College, Whatcom Community College, Sehome High School, the University of Wisconsin-Madison, Mount Vernon High School, and the Universidad del Quindío in Colombia.

His dissertation analyzing the role of community colleges in promoting student success was awarded the Washington Education Research Association's Outstanding Dissertation of the Year. Dr. Mast's research focuses on institutional contributions to student success and the role of higher education in social mobility and equity.

He lives in Bellingham with his wife, Hana, and their two sons.



DALE ZENDER

BOARD OF DIRECTORS, POSITION 2

Education: CPA, Washington State Board of Accountancy Certified Public Accountant (Retired Inactive), M.B.A., City University, B.A., Western Washington University College of Business and Economics, Advanced Training Program (ATP) in Healthcare Delivery Improvement, Intermountain Healthcare - Salt Lake City, UT

Bio: Dale is a retired healthcare Chief Executive. He spent 37 years with PeaceHealth St. Joseph Medical Center, a Washington not-for-profit corporation sponsored by the Sisters of St. Joseph of Peace.

During his tenure, Dale built a distinguished and diversified career in the healthcare industry developing impressive credentials in operations and finance. Dale is well versed in strategic planning and has a deep understanding of all aspects of healthcare operations and management. He is viewed as a servant leader; confident, patient, determined, and constantly aspiring to learn new things.

Dale received the Whatcom Business Alliance 2015 Business Person of the Year Award, and in 2011 was the recipient of the rare "John Tiscornia Award" – honoring at least 20 years of service modeling outstanding leadership, stewardship, and exemplification of PeaceHealth values.

CANDIDATES ON THE BALLOT SUPERVISORY COMMITTEE



DAVID WASCHKE

BOARD OF DIRECTORS, POSITION 3

Education: M.B.A., Western Washington University, B.S. - Industrial Technology, Western Washington University

Bio: David retired from Ershigs after 26 years in various positions, including 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.

WECU's Team WECU projects have been particular favorites of David's.



KURT WILLIS

SUPERVISORY COMMITTEE, POSITION 1

Education: M. Ed. - College Student Personnel Administration, Colorado State University, B.A. - Social Ecology, University of California Irvine

Bio: In his 9-years on WECU's Supervisory Committee, Kurt has served as a member and chairperson.

Kurt recently retired after serving 35 years at Western Washington University (WWU), most of it 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, and technology. Prior to that, he served in other student housing positions at WWU, the University of Washington, and the University of California, Davis.

Kurt is active in his church community and lives with his wife, Katherine.



TEAM WECU

226

WECU VOLUNTEERS

19

NONPROFIT EVENTS
SUPPORTED

FINANCIAL EDUCATION

26

LESSONS PROVIDED

667

YOUTH AND ADULT
STUDENTS BENEFITTED

CHARITABLE GIVING

IN 2021, WECU FINANCIALLY SUPPORTED **110** NONPROFITS.

\$409,000

DONATED TO
LOCAL NONPROFITS

\$10,000

DONATED DURING
WECU'S SEASON OF
SHARING

\$89,000

RAISED FOR UNITED WAY
OF WHATCOM COUNTY

\$15,000

DONATED TO FLOOD
RELIEF

State of the Credit Union

BALANCE SHEET *in millions*

ASSETS	2019	2020	2021
Cash and Cash Equivalents	142.9	554.6	716.7
Total Investments	20.4	18.0	72.5
Total Outstanding Loans	1,486.7	1,503.5	1,644.1
Less: Allowance for Loan & Lease Losses	(9.5)	(12.8)	(12.1)
Net Loans Outstanding	1,477.2	1,490.7	1,632.0
Land & Building	30.2	29.4	28.1
Other Fixed Assets	7.5	6.5	4.5
NCUA Share Insurance Capitalization Deposit	12.8	15.4	18.2
All Other Assets	21.8	21.7	17.1
Total Other Assets	72.3	73.0	67.9
Total Assets	\$1,712.8	\$2,136.3	\$2,489.1
LIABILITIES	2019	2020	2021
Accounts Payable & Other Liabilities	25.3	30.6	28.1
Borrowings	1.0	21.3	21.2
Total Liabilities	26.3	51.8	49.3
MEMBER DEPOSITS	2019	2020	2021
Business	138.7	198.2	261.4
Checking	250.0	337.9	413.6
Savings	914.9	1,123.4	1,330.5
Certificates & IRA's	119.6	138.9	121.9
Money Market	4.3	12.1	17.1
Total Member Deposits	1,427.5	1,810.5	2,144.5
EQUITY	2019	2020	2021
Undivided Earnings & Regular Reserves	244.3	259.1	273.6
Net Income Year-to-Date	14.7	14.9	21.7
Total Equity	259.0	274.0	295.3
Total Liabilities, Deposits, and Equity	\$1,712.8	\$2,136.3	\$2,489.1

\$140.6M

LOAN GROWTH

↑ 9.35%

11,101

AUTO LOANS FUNDED

\$281.38M

\$333.99M

DEPOSIT GROWTH

↑ 18.4%

\$352.78M

ASSET GROWTH

↑ 16.5%

5,437

TOTAL BUSINESSES SERVED

INCOME STATEMENT *in thousands*

INTEREST INCOME	2019	2020	2021
Interest on Loans	62,958.1	60,243.0	59,374.6
Income from Investments	1,985.5	1,022.0	1,269.2
Total Interest Income	\$64,943.6	\$61,265.0	\$60,643.8
INTEREST EXPENSE	2019	2020	2021
Dividends on Deposits	9,201.4	5,141.6	2,891.6
Interest on Borrowed Money	30.0	251.0	245.5
Total Interest Expense	9,231.4	5,392.6	3,137.1
Provision for Loan & Lease Losses (PLLL)	6,653.4	5,993.8	38.4
Net Interest Income After PLLL	49,058.8	49,878.6	57,468.3
NON-INTEREST INCOME	2019	2020	2021
Fee Income	9,303.4	8,491.6	8,505.2
Other Operating Income	12,354.2	15,185.3	16,174.8
Gain (Loss) on Disposition of Fixed Assets	(32.3)	(5.1)	468.4
Other Non-Operating Income (Expense)	519.2	1,369.4	759.1
Total Non-Interest Income	22,144.5	25,041.2	25,907.5
NON-INTEREST EXPENSE	2019	2020	2021
Employee Compensation and Benefits	33,821.3	35,084.7	35,813.9
Travel & Conference Expense	451.6	241.0	177.6
Office Occupancy	2,819.9	3,102.4	3,446.2
Office Operations Expense	9,256.8	10,994.8	10,568.6
Educational and Promotional Expenses	1,350.3	1,188.8	1,218.1
Loan Servicing Expense	6,383.8	6,736.5	8,377.0
Professional and Outside Services	3,115.9	3,144.3	2,230.9
Operating Fees	121.7	135.1	149.3
Miscellaneous	105.3	38.4	79.6
Total Non-Interest Expense	57,426.6	60,666.0	62,061.2
Market Adjustment Gain (Loss)	954.8	660.3	380.1
NET INCOME (LOSS)	\$14,731.5	\$14,914.1	\$21,694.7

*Annual meeting financial statements are unaudited

884

BUSINESS LOANS FUNDED
\$169.99M

360

PPP LOANS
\$11.45M

\$323,600

FLOOD RELIEF FUNDING
67 LOANS

1,498

MORTGAGE LOANS FUNDED
\$376.45M

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

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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EQUAL HOUSING
OPPORTUNITY 