

2023

Annual Report to the Membership



WECU

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Dear WECU Members,

I hope this letter finds you well and thriving. At WECU, our unwavering commitment to our membership and the communities we serve remains at the forefront of everything we do. As we reflect on the past year, we are proud to share the remarkable achievements that underscore our dedication to your financial well-being and the betterment of our shared communities.

INTRODUCING NEW SAVINGS OPTIONS

This Fall, we took a significant step forward by introducing new savings options that boast some of the most attractive rates in the country. The addition of Stash Savings, Stash Certificates, and a High-Yield Savings Account solidifies WECU as the go-to destination for savvy savers. We also continue to enhance our loan options to support our members, local small businesses, and our communities. Your financial goals are our priority, and we are here to provide the tools and opportunities to help you achieve them.

SERVING OUR COMMUNITY

In 2023, WECU demonstrated its commitment to the community by contributing over \$400,000 to various community groups and nonprofit organizations. These funds were distributed through academic scholarships, sponsorships, and charitable giving. Volunteering our time and resources is a responsibility and a privilege. In 2023, 215 WECU employees supported 18 nonprofit events. We are grateful for the chance to make a positive impact on the lives of those we serve.

EXPANDING TO SERVE OUR MEMBERSHIP IN SKAGIT COUNTY

Recognizing the needs of our growing membership, we expanded our presence in Skagit County in 2023. We opened a full-service financial center in Mount Vernon in April and another in Sedro-Woolley in December. These additions are a testament to our dedication to accessibility, ensuring that more than 7,000 WECU members in Skagit County have convenient access to our services.

PRIORITIZING SAFETY AND SECURITY

Your trust in WECU is paramount, and we take the responsibility of safeguarding your financial well-being seriously. Throughout 2023, we continued to implement industry-leading protocols across our organization to protect our members against fraud and account compromises. Your peace of mind is our priority, and we remain steadfast in maintaining the highest standards of safety and security.

LOOKING FORWARD

As we enter a new year, please know that WECU is well-capitalized, strong, and committed to being your steadfast partner. Regardless of the challenges that may arise, we will persist in prioritizing the needs of our membership and actively seek opportunities to make a meaningful difference in the communities we serve. We extend our deepest gratitude for your loyalty and trust.

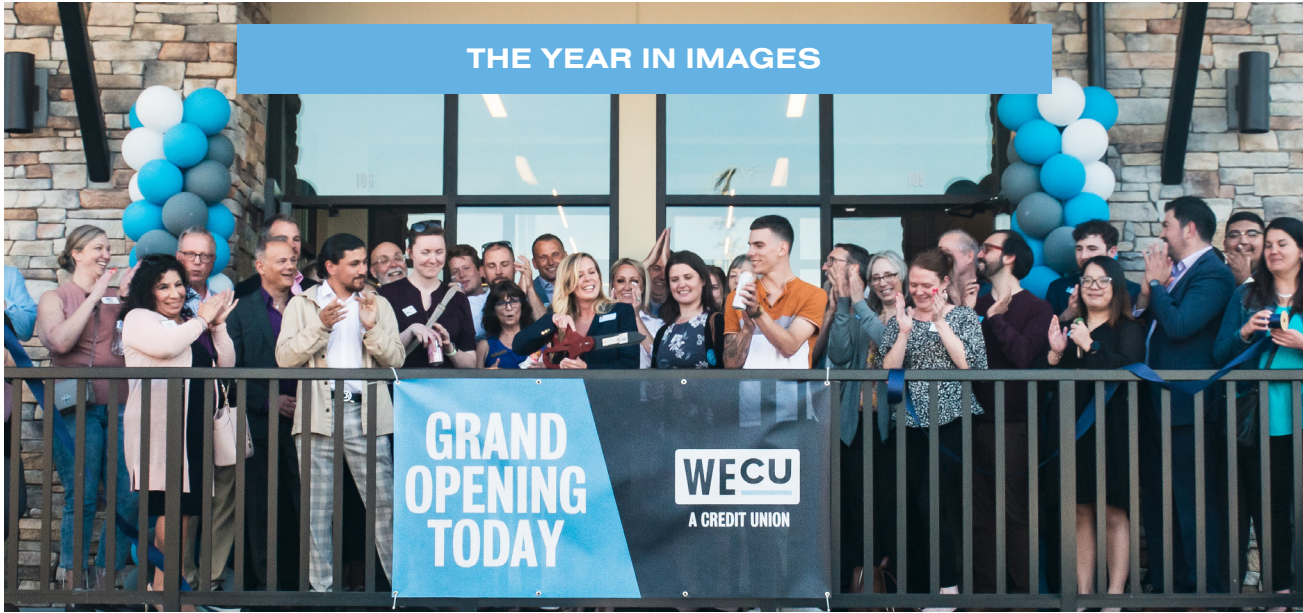
Sincerely,



JENNIFER KUTCHER
President/CEO



KRISTI LEWIS TYRAN
Board Chair



Ribbon cutting during the Mount Vernon Financial Center Grand Opening event



WECU President & CEO, Jennifer Kutcher and CHRO, Cindy Klein with WWU Athletics scholarship recipients



Director of PR, Keith Mader at the Birch Bay Polar Bear Plunge



Employees at the Berry Dairy Day's Parade



Team WECU volunteers at Lynden event

Charitable Giving

\$491,000

donated to local nonprofits

\$96,000

scholarships granted to local students

Team WECU

215 *WECU volunteers*

18 *Nonprofit events supported*

Financial Education

65 *Lessons provided*

1,357 *Youth and adult students benefited*

COMMUNITY PARTNERSHIPS INCLUDED:

Western Washington University

Raspberry Festival

NW Washington Fair

Downtown Sounds

United Way of Whatcom County

Bellingham Bells

Stoney Ridge Farm Fall Festival

City of Ferndale Summer of Fun

Whatcom and Skagit County Summer Reading Programs

Downtown Mount Vernon Christmas Parade

Sedro-Woolley Loggerodeo

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 2023.

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

2023 SUPERVISORY COMMITTEE



KURT WILLIS

SUPERVISORY COMMITTEE, CHAIR
Serving since 2013



SHONDA SHIPMAN

SUPERVISORY COMMITTEE
Serving since 2014



JENNIFER WRIGHT

SUPERVISORY COMMITTEE
Serving since 2017

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 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 & Information Security Audit
- 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
- Board of Directors, Supervisory Committee, & President/CEO Loan Audit
- Retirement Plan Audit
- Corporate Credit Card Audit
- Compliance Management Program Audit
- Fair Lending 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

Shonda Shipman

Jennifer Wright

2023 BOARD OF DIRECTORS



KRISTI LEWIS TYRAN

BOARD CHAIR
Serving since 2006



GABRIEL MAST

BOARD VICE CHAIR
Serving since 2018



DALE ZENDER

BOARD SECRETARY
Serving since 2010



MARGO HAMMOND

BOARD MEMBER
Serving since 2017



ASHOK KHANNA

BOARD MEMBER
Serving since 1995



CAROL LAGER

BOARD MEMBER
Serving since 2006



STEPHANIE MORRELL

BOARD MEMBER
Serving since 2022



DAVID WASCHKE

BOARD MEMBER
Serving since 1992



KURT WILLIS

BOARD MEMBER
Serving since 2013



JOHN STERNLICHT

ASSOCIATE BOARD MEMBER
Serving since 2023

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. 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 2023 process of review, interview, and evaluation of incumbents and other candidates, the Nominating Committee is pleased to present four qualified candidates at the February 2024 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 by acclamation for the following candidates to be elected at the February 2024 Annual Meeting:

Kristi Lewis Tyran, Director

Margo Hammond, Director

Stephanie Morrell, Director

Jennifer Wright, Supervisory Committee

The Board Vice 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.

Board of Directors



KRISTI LEWIS TYRAN

BOARD OF DIRECTORS

Kristi 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 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.



MARGO HAMMOND

BOARD OF DIRECTORS

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 Committee Chair and enjoys participating in the WECU Community events and visiting with WECU members.

Supervisory Committee



STEPHANIE MORRELL

BOARD OF DIRECTORS

Stephanie joined WECU's Board of Directors as an Associate Board Member in November 2022. She was appointed a Director in October 2023. Stephanie is a long-time Bellingham resident and WECU member. She currently serves as the General Manager of the Bellingham Bells, a role she has held since late 2015. In her role with the Bells, Stephanie oversees the day-to-day operations of the team and works closely with many community organizations. Stephanie is very involved with the West Coast League and was awarded the league's Executive of the Year award in 2021. Stephanie is also a member of the City of Bellingham's Tourism Commission and a past board member of the Kiwanis Club of Bellingham.



JENNIFER WRIGHT

SUPERVISORY COMMITTEE

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.

STATE OF THE CREDIT UNION

BALANCE SHEET *in millions*

| ASSETS | 2021 | 2022 | 2023 |
|--|------------------|------------------|------------------|
| Cash and Cash Equivalents | 716.7 | 325.1 | 312.2 |
| Total Investments | 72.5 | 176.4 | 204.5 |
| Total Outstanding Loans | 1,644.1 | 1,938.8 | 2,142.4 |
| Less: Allowance for Loan & Lease Losses | (12.1) | (11.8) | (13.6) |
| Net Loans Outstanding | 1,632.0 | 1,927.0 | 2,128.8 |
| Land & Building | 28.1 | 28 | 62.4 |
| Other Fixed Assets | 4.5 | 4.2 | 3.4 |
| NCUA Share Insurance Capitalization Deposit | 18.2 | 19.6 | 19.9 |
| All Other Assets | 17.1 | 27.1 | 35.2 |
| Total Other Assets | 67.9 | 78.9 | 120.8 |
| Total Assets | \$2,489.1 | \$2,507.4 | \$2,766.3 |
| LIABILITIES | 2021 | 2022 | 2023 |
| Accounts Payable & Other Liabilities | 28.1 | 34.4 | 33.4 |
| Borrowings | 21.2 | 27.3 | 172.0 |
| Total Liabilities | 49.3 | 67.7 | 205.4 |
| DEPOSITS | 2021 | 2022 | 2023 |
| Business | 261.4 | 247.5 | 234.1 |
| Checking | 413.6 | 417.9 | 383.3 |
| Savings | 1,330.5 | 1,253.6 | 1,062.0 |
| Certificates & IRA's | 121.9 | 171.7 | 477.6 |
| Money Market | 17.1 | 38.2 | 67.9 |
| Total Deposits | 2,144.5 | 2,128.9 | 2,224.9 |
| EQUITY | 2021 | 2022 | 2023 |
| Undivided Earnings & Regular Reserves | 273.6 | 287.9 | 316.1 |
| Net Income Year-to-Date | 21.7 | 29.0 | 19.9 |
| Total Equity | 295.3 | 316.9 | 336.0 |
| Total Liabilities, Deposits, and Equity | \$2,489.1 | \$2,507.4 | \$2,766.3 |

STATE OF THE CREDIT UNION

INCOME STATEMENT *in thousands*

| INTEREST INCOME | 2021 | 2022 | 2023 |
|------------------------------|-------------------|-------------------|--------------------|
| Interest on Loans | 59,374.6 | 63,368.1 | 86,849.2 |
| Income from Investments | 1,269.2 | 10,688.2 | 25,372.1 |
| Total Interest Income | \$60,643.8 | \$74,056.3 | \$112,221.3 |

| INTEREST EXPENSE | 2021 | 2022 | 2023 |
|--|-----------------|-----------------|-----------------|
| Dividends on Deposits | 2,891.6 | 4,434.0 | 24,580.8 |
| Interest on Borrowed Money | 245.5 | 1,620.3 | 12,312.9 |
| Total Interest Expense | 3,137.1 | 6,054.3 | 36,893.8 |
| Provision for Loan & Lease Losses (PLLL) | 38.4 | 1,620.4 | 5,338.7 |
| Net Interest Income After PLLL | 57,468.3 | 66,381.6 | 69,988.8 |

| NON-INTEREST INCOME | 2021 | 2022 | 2023 |
|--|-----------------|-----------------|-----------------|
| Fee Income | 8,505.2 | 8,738.4 | 10,102.6 |
| Other Operating Income | 16,174.8 | 16,643.9 | 18,862.8 |
| Gain (Loss) on Disposition of Fixed Assets | 468.4 | 0.1 | (2.5) |
| Other Non-Operating Income (Expense) | 759.1 | 687.6 | 141.3 |
| Total Non-Interest Income | 25,907.5 | 26,070.0 | 29,104.2 |

| NON-INTEREST EXPENSE | 2021 | 2022 | 2023 |
|--------------------------------------|-------------------|-------------------|-------------------|
| Employee Compensation and Benefits | 35,813.9 | 33,536.0 | 43,406.3 |
| Travel & Conference Expense | 177.6 | 449.8 | 514.4 |
| Office Occupancy | 3,446.2 | 3,361.4 | 3,766.2 |
| Office Operations Expense | 10,568.6 | 12,110.5 | 14,925.0 |
| Educational and Promotional Expenses | 1,218.1 | 1,544.4 | 2,859.8 |
| Loan Servicing Expense | 8,377.0 | 8,954.5 | 11,307.5 |
| Professional and Outside Services | 2,230.9 | 2,029.2 | 3,229.0 |
| Operating Fees | 149.3 | 179.6 | 157.1 |
| Miscellaneous | 79.6 | 73.0 | 146.2 |
| Total Non-Interest Expense | 62,061.2 | 62,238.3 | 80,311.5 |
| Market Adjustment Gain (Loss) | 380.1 | (1,205.8) | 1,091.5 |
| NET INCOME (LOSS) | \$21,694.7 | \$29,007.6 | \$19,873.0 |

*Annual meeting financial statements are unaudited



Banking for People.

Not for Profit.