



REPORT TO THE MEMBERSHIP

2019 Annual Report



WE

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

- JENNIFER KUTCHER,
President/CEO

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2019 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 reflect 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 2020. 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 credit union DNA.

By the numbers, we ended 2019 with an 23.5% increase in total dividends paid to our membership. **Our total assets grew to more than \$1.7 billion**, loan growth was up 7.8% or \$107.5 million, and our certificate portfolio grew over 31%.

Furthermore, in 2019 **we invested into both our membership and the community in many ways.**

- In March, at our Sunset Branch and local Contact Center, we launched Saturday hours for the first time in our history to better serve our membership.
- We increased our year-over-year giving to more than \$400,000, the largest amount ever for WECU. This giving included Community Builder Grants to 122 local non-profits and

organizations, \$110,000 in Education First Grants to four local nonprofits, and more than \$40,000 to 11 different nonprofits through our Penny Jar campaign.

- We also launched a new suite of business products to make us more competitive while deepening our relationship with this key membership segment.

Beyond all that, we're happy to report that 2020 is off to a great start. In January, we launched a new mobile app, which delivers a best-in-class experience for our membership. The app design is a direct reflection of the feedback received from thousands of members. We are proud say that it's member-built!

In closing, **thank you for your membership.** You are the heart and soul 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 KUTCHER
President/CEO



CAROL LAGER
Board Chair



Team WECU volunteering at the Interfaith Coalition work party



Team WECU volunteering at the Dirty Dan Harris Festival



WECU staff at the Senior Picnic in June

2019 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 2019.

Saturday Hours // MARCH

To better serve our members, we launched Saturday hours at the Sunset Branch and Contact Center last March.

Education First // SEPTEMBER

\$110,000 was given to four 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.

Full Service Business Banking // DECEMBER

We have launched a new suite of business products to serve local businesses of all sizes in our community. This is the next step in our journey to becoming the full-service financial partner of choice in Whatcom County.

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 2019.

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, 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.

2019 SUPERVISORY COMMITTEE



SHONDA SHIPMAN

SUPERVISORY COMMITTEE

Serving since 2014



JENNIFER WRIGHT

SUPERVISORY COMMITTEE CHAIR

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.

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
- Truth in Savings & Deposit Operations Compliance Audit
- Fair Lending & Consumer Lending Compliance Audit
- Business Continuity Plan 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

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,

Jennifer Wright, Chair

Shonda Shipman

Kurt Willis



CAROL LAGER

BOARD CHAIR
Serving since 2006



HARTE BRESSLER

BOARD VICE-CHAIR
Serving since 1996



MARGO HAMMOND

BOARD SECRETARY
Serving since 2017



CATHIE OBERG

BOARD MEMBER
Serving since 1994



ASHOK KHANNA

BOARD MEMBER
Serving since 1995



KRISTI LEWIS TYRAN

BOARD MEMBER
Serving since 2006



GABRIEL MAST

BOARD MEMBER
Serving since 2019



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 2019 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 2019 process of review, interview, and evaluation of incumbents and other candidates, the Nominating Committee is pleased to present four qualified candidates at the February 2020 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 2020 Annual Meeting:

1. **Shonda Shipman, SUPERVISORY COMMITTEE**
2. **Ashok Khanna, DIRECTOR**
3. **Carol Lager, DIRECTOR**
4. **Cathie Oberg, DIRECTOR**

The Vice-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



ASHOK KHANNA

BOARD OF DIRECTORS, POSITION 4

Employment: Retail Management, Business Owner

Education: BA in Economics; Bachelor in Law, Law Faculty, Delhi University, India. Part I & II C.A.I.B.; diploma in Banking Practices and Labor Law

Bio: For over 20 years, Ashok has volunteered his time serving WECU. During his tenure, he has served on both WECU's Supervisory Committee and Board in a variety of capacities such as Supervisory Committee Chair, and Board Chair, Vice-Chair, and Secretary. In 2014 and 2015, Ashok also served on the Nominating Committee, being appointed Chair in 2015. More recently, Ashok served on WECU's CEO Compensation Committee. In India, Ashok worked as a banker, but in Bellingham, he has been involved in restaurant and retail management for the past 30 years.



CAROL LAGER

BOARD OF DIRECTORS, POSITION 5

Employment: Retired

Education: BA in Education, WWU; Masters in Business Education, WWU

Bio: Carol served on WECU's Supervisory Committee from 2006 until early 2014, when she was appointed to WECU's Board of Directors. During her term on the Supervisory Committee, Carol functioned as Chair for several years. Carol currently serves as the Board Chair. Carol taught business and computer classes at Nooksack, Sehome, and Bellingham Technical College for over 25 years. She was the Dean of Health, Sciences, and General Education for five years at BTC and ended her career serving as the Vice President of Instruction for three years.

CANDIDATES ON THE BALLOT SUPERVISORY COMMITTEE



CATHIE OBERG

BOARD OF DIRECTORS, POSITION 6

Employment: Retired

Education: BA in Music, WWU; Masters in Integrating the Arts, Lesley University

Bio: Cathie has served as Board Chair, Vice-Chair, and Secretary. She has also served on the Nominating, Credit, Partnering, Strategic Planning and Membership Linkage Committees. Cathie has served on the Camp Fire Samish Council Board, as a volunteer coordinator for the annual Ski-to-Sea Race, President of the Bellingham Branch of the American Association of University Women, committee member of the Whatcom Co. Chapter of the WWU Alumni Association and is a member of St. Paul's Episcopal Church. Cathie has taught in the Meridian School District, in Fulda, Germany, and in North Pole, Alaska.



SHONDA SHIPMAN

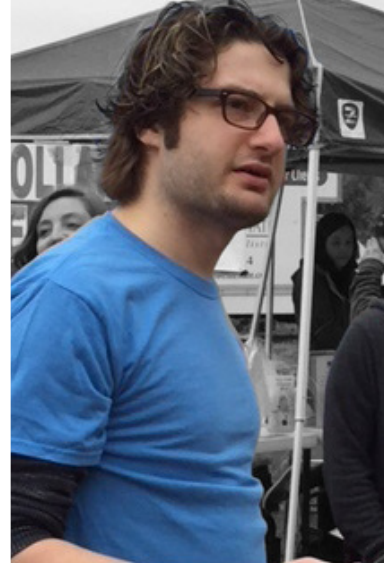
SUPERVISORY COMMITTEE, POSITION 2

Employment: Director of Finance for the Whatcom Transportation Authority

Education: BA in Accounting, WWU; MBA, WWU

Bio: Shonda was elected to the Supervisory Committee in 2014 and has served as the Committee Chair for two terms. Prior work experience includes Whatcom County Public Works and Western Washington University. Shonda has also worked in public accounting, and holds her CPA license.

Committed to Community





TEAM WECU

189

WECU VOLUNTEERS

270

TIMES VOLUNTEERED

29

EVENTS



FINANCIAL EDUCATION

111

LESSONS PROVIDED

1888

YOUTH AND ADULT
STUDENTS BENEFITED

EDUCATION CENTER

299

APPROXIMATE USES OF THE
EDUCATION CENTERS

127

NONPROFIT AND SERVICE
GROUPS BENEFITED

*The Holly Education center reopened in May of 2019



CHARITABLE GIVING

IN 2019, WECU FINANCIALLY SUPPORTED **213** NONPROFITS.

\$425,000

DONATED TO
LOCAL NONPROFITS

\$21,000

ESTIMATED ANNUAL GIFT
TO LYDIA PLACE

\$103,000

RAISED FOR UNITED WAY
OF WHATCOM COUNTY

\$46,054.46

DONATED TO 11
NONPROFITS FROM THE
WECU PENNY JAR

State of the Credit Union

BALANCE SHEET *in millions*

ASSETS	2017	2018	2019
Cash and Cash Equivalents	120.0	123.6	142.9
Total Investments	105.8	43.9	20.4
Total Outstanding Loans	1,206.5	1,379.1	1,486.7
Less: Allowance for Loan & Lease Losses	-6.6	-8.1	-9.5
Net Loans Outstanding	1,199.9	1,371.0	1,477.2
Other Assets			
Land & Building	31.6	30.9	30.2
Other Fixed Assets	1.3	4.5	7.5
NCUA Share Insurance Capitalization Deposit	11.4	12.2	12.8
All Other Assets	11.0	20.4	21.7
Total Other Assets	55.2	68.0	72.2
Total Assets	\$1,481.0	\$1,606.5	\$1,712.8
LIABILITIES	2017	2018	2019
Accounts Payable & Other Liabilities	24.0	25.2	26.3
MEMBER DEPOSITS	2017	2018	2019
Checking	261.4	298.2	326.4
Savings	890.2	907.0	939.7
Certificates	26.5	80.9	119.6
IRAs	42.8	46.0	37.5
Money Market	5.3	4.9	4.3
Total Savings and Deposits	1,226.2	1,337.0	1,427.4
EQUITY	2017	2018	2019
Undivided Earnings & Regular Reserves	228.6	242.6	259.1
Unrealized Gain (Loss) on AFS Investments	2.2	1.8	0.0
Total Equity	230.8	244.3	259.1
Total Liabilities, Deposits, and Equity	\$1,481.0	\$1,606.5	\$1,712.8

\$107.6M

LOAN GROWTH

↑ 7.80%

\$38.7M

CERTIFICATE PORTFOLIO GROWTH

↑ 47.74%

\$192.2M

AUTO LOANS FUNDED

\$9.2M

TOTAL DIVIDENDS PAID TO MEMBERS

\$90.4M

DEPOSIT GROWTH

↑ 6.8%

\$106.2M

ASSET GROWTH

↑ 6.7%

\$159.4M

BUSINESS LOANS FUNDED

INCOME STATEMENT *in thousands*

INTEREST INCOME	2017	2018	2019
Interest on Loans	49,158.2	55,326.5	62,809.6
Income from Investments	2,726.3	2,582.4	2,134.0
Total Interest Income	\$51,884.4	\$57,908.9	\$64,943.6
INTEREST EXPENSE	2017	2018	2019
Dividends on Deposits	4,057.8	7,451.4	9,201.4
Interest on Borrowed Money	0.5	0.1	30.0
Total Interest Expense	4,058.3	7,451.5	9,231.4
Provision for Loan & Lease Losses (PLLL)	3,028.6	5,162.9	6,653.4
Net Interest Income After PLLL	44,797.6	45,294.6	49,058.8
NON-INTEREST INCOME	2017	2018	2019
Fee Income	9,227.7	9,356.8	9,303.4
Other Operating Income	11,227.8	11,673.1	12,354.2
Gain (Loss) on Disposition of Fixed Assets	-0.7	1,132.8	-32.3
Other Non-Operating Income (Expense)	92.7	931.6	1,474.0
Total Non-Interest Income	20,547.5	23,094.3	23,099
NON-INTEREST EXPENSE	2017	2018	2019
Employee Compensation and Benefits	25,717.8	31,333.7	33,821.3
Training & Development Expense	291.1	227.7	451.6
Office Occupancy Expense	1,908.6	2,715.2	2,819.9
Office Operations Expense	6,497.1	9,027.5	9,256.6
Educational and Promotional Expenses	1,180.0	1,255.2	1,350.3
Loan Servicing Expense	7,905.2	6,293.0	6,383.8
Professional and Outside Services	3,009.9	3,334.3	3,115.9
Operating Fees	141.5	151.3	121.7
Miscellaneous Operating Fees	68.9	78.9	105.3
Total Non-Interest Expense	46,719.9	54,416.7	57,426.6
NET INCOME (LOSS)	\$18,625.1	\$13,972.1	\$14,731.3

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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EQUAL HOUSING
OPPORTUNITY 