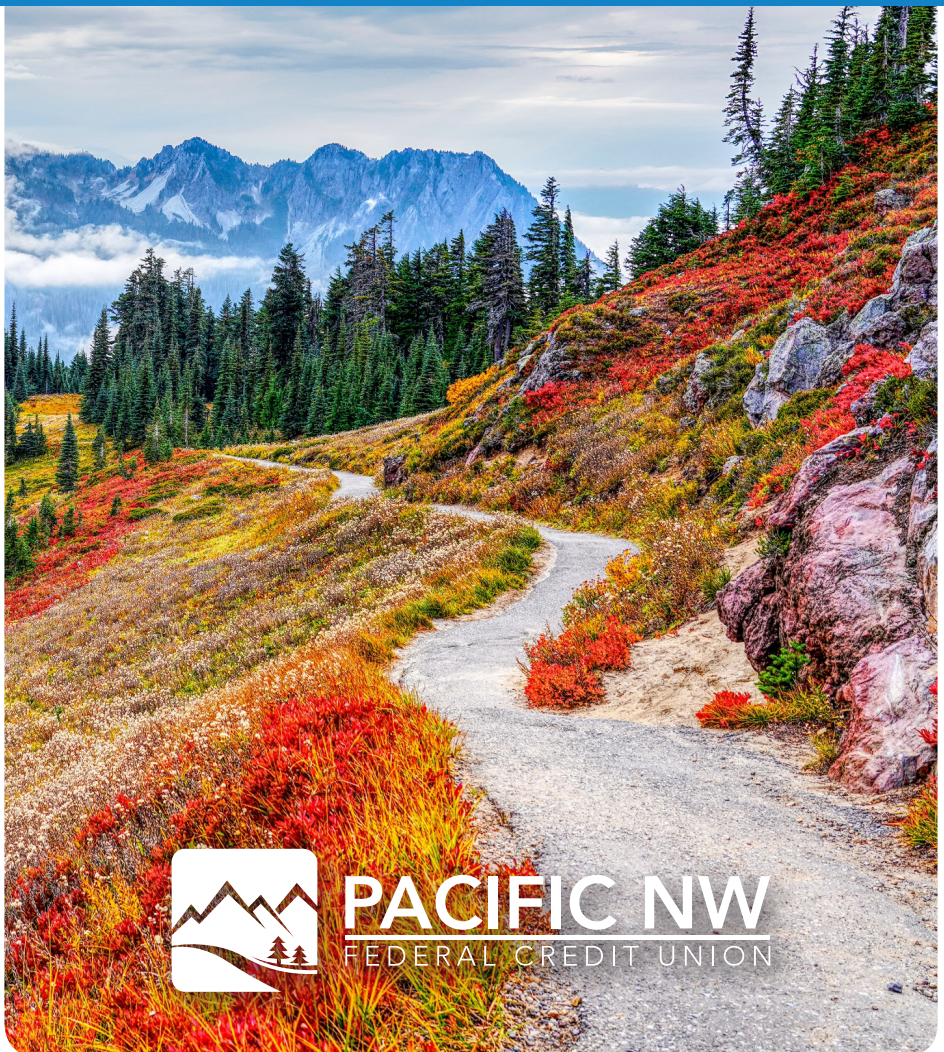




2018 *Annual Report*



PACIFIC NW
FEDERAL CREDIT UNION

Cover photo: Paradise, Mount Rainier National Park, Washington



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REPORT FROM THE *President & Chairman*

During 2018 we accomplished much of what we set out to do to improve member service and access.

- Added comprehensive money management online through the desktop and phone.
- Significantly improved our online ability to get a loan through your phone or desktop.
- Expanded our phone support hours to 8:00 pm on weeknights and 10:00 – 2:00 on Saturdays.
- Added chat, text and other ways to connect with our staff.
- Added online account opening through both desktop and phone.
- Completed our remodel of the Hood River branch.
- Remodeled Ross Branch. Actually, this was in 2019, but we just completed it in early April.

The one item we didn't accomplish in 2018 is making peer-to-peer payment transfers available to members. We tackled this project, but our online service provider didn't have this ready for implementation in 2018. We are in a pilot program for this year though.

We continue to strengthen the quality of our loan portfolio and improve the quality of our overall balance sheet.

- 1,488 people became members, with net members increasing to 17,691.
- Made 1,852 consumer loans for \$30.4 million.
- Helped 170 members buy, refinance or tap equity in their homes for \$21.9 million.
- Increased total assets from \$179.8 to \$192.7 million.
- Increased total loans (held and serviced) to \$245.7 million.

Throughout all of this, our main goal is to be your financial partner for life. Thank you for your membership.

Respectfully,

Thomas E. Griffith & Paresh Patel



Thomas E. Griffith, CMA **Chief Executive Officer**

Tom has been in the credit union industry since 1989. He holds a Bachelor's in Accounting from Portland State University and is a Certified Management Accountant (CMA). After spending five years as an accountant for a market research firm, he became Controller of a small credit union. He spent eleven years as the Chief Financial Officer for a \$600 million credit union before joining Pacific NW Federal Credit Union in 2003 as the CEO.



Paresh Patel, PhD, MBA **Chairman of the Board**

Paresh is a lifelong entrepreneur who has founded several companies in the Portland area, most recently PayRange, a mobile payment solution. He brings a balanced business perspective to the PNWFCU Board of Directors. As Chairman of the Board since 2000, he has worked to help ensure our credit union's stability, while at the same time ensuring we meet our members' needs now and into the future.



Bald Peak State Park, Hillsboro, Oregon

Financial Condition

	<u>Year ended December 31</u>	
	<u>2018</u>	<u>2017</u>
ASSETS		
Cash & cash equivalents	\$ 9,365,034	\$ 8,735,125
Certificates of deposit	14,281,000	14,434,000
Investment securities held to maturity	45,834,340	37,449,567
Restricted equity securities	304,204	286,804
Loans to members, net	116,179,881	111,964,137
Accrued interest receivable	455,535	474,450
Property & equipment, net	2,880,921	2,807,464
National Credit Union Share		
Insurance Fund (NCUSIF) deposit	1,649,072	1,554,317
Other real estate owned	341,025	436,025
Other assets	<u>1,358,908</u>	<u>1,716,239</u>
TOTAL ASSETS	<u>\$ 192,649,920</u>	<u>\$ 179,858,128</u>
LIABILITIES		
Members' shares	\$ 174,128,452	\$ 162,834,047
Accrued expenses & other liabilities	<u>1,145,039</u>	<u>997,302</u>
Total liabilities	<u>175,273,491</u>	<u>163,831,349</u>
MEMBERS' EQUITY		
Regular reserves	4,033,040	4,033,040
Undivided earnings	<u>13,343,389</u>	<u>11,993,739</u>
Total members' equity	<u>17,376,429</u>	<u>16,026,779</u>
TOTAL LIABILITIES & EQUITY	<u>\$ 192,649,920</u>	<u>\$ 179,858,128</u>

Income & Expense

	<i>Year ended December 31</i>	
	2018	2017
INTEREST INCOME		
Interest on loans to members	\$ 5,380,057	\$ 4,819,778
Interest on investments	1,304,408	857,048
Total interest income	<u>6,684,465</u>	<u>5,676,826</u>
INTEREST EXPENSE		
Dividends on members' shares	108,840	101,760
Interest on borrowed funds	5	100
Total interest expense	<u>108,845</u>	<u>101,860</u>
NET INTEREST INCOME	6,575,620	5,574,966
PROVISION FOR LOAN LOSSES	<u>216,800</u>	<u>72,820</u>
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	6,358,820	5,502,146
NONINTEREST INCOME		
Service fees & other income	2,300,764	2,050,644
Mortgage banking income	481,095	725,137
Gain on sale of property & equipment	-	794,954
Total noninterest income	<u>2,781,859</u>	<u>3,570,735</u>
NONINTEREST EXPENSE		
Salaries & benefits	3,887,607	3,406,067
Operations	3,535,250	2,951,638
Occupancy	273,172	271,376
Impairment of other real estate owned	95,000	-
Total noninterest expense	<u>7,791,029</u>	<u>6,629,081</u>
NET INCOME	<u><u>\$ 1,349,650</u></u>	<u><u>\$ 2,443,800</u></u>

Supervisory Committee

REPORT

The Supervisory Committee consists of four Members of the Credit Union. The Committee has oversight responsibility for monitoring the Credit Union's business affairs. We meet monthly with Credit Union Team Members and attend various board and strategic planning meetings. Our objective is to safeguard our members' assets and assure that the financial condition of the Credit Union is fairly and accurately presented in its financial statements.

An independent accounting firm Moss Adams LLP, engaged by the Credit Union's Supervisory Committee performed this year's audit. The unmodified audit opinion of the Credit Union's financial statements covers the period January 1, 2018, through December 31, 2018. In performing an opinion audit, the accounting firm considers the Credit Union's internal controls over financial reporting as a basis for designing their audit procedures. Audit procedures include examining and testing supporting evidence for the amounts and disclosures presented in the Credit Union's financial statements. Ultimate responsibility for the accuracy of

the financial statements is held with the Credit Union's Management.

Pacific NW Federal Credit Union's assets as of the end of 2018 were \$192.6 million, an increase of \$12.8 million in assets over the prior year. The opinion audit allows us to better assess the risks and soundness of the Credit Union's operation. Your supervisory committee also ordered other audits as required by NCUA regulations, on compliance with the Bank Secrecy Act (BSA), Office of Foreign Assets Control (OFAC) and the USA Patriot Act.

The management team and the Board of Directors continually evaluate the financial condition and monitor the state of your Credit Union. As of December 31, 2018, your Credit Union's net worth was 9.02% compared to 8.91% as of December 31, 2017, which is considered "well capitalized" by NCUA standards. The Credit Union ended 2018 with a net income of \$1,349,650.

Moss Adams LLP expressed an audit opinion that your Credit Union's financial statements present fairly, in all material

"Pacific NW Federal Credit Union's assets as of the end of 2018 were \$192.6 million, an increase of \$12.8 million in assets over the prior year."

aspects, the financial position of Pacific NW Federal Credit Union at December 31, 2018, and that the results of its operations and cash flows for the twelve months then ended, are in conformity with generally accepted accounting principles. A copy of their audit report is available to members upon request.

I'd like to express my appreciation to fellow Committee Members, Robert Mealey, Pat Melvin, and James Dunphy for their time and commitment throughout the year. On behalf of the Committee,

I'd also like to commend the Board of Directors, Management and the entire Pacific NW Federal Credit Union team for continuing to provide extraordinary value to you, our members. Additionally, I'd like to thank you for your loyalty and support in our pursuit as your preferred financial partner for life!

Sincerely,

Nancy Morgan
Chair, Supervisory Committee



Samuel H. Boardman State Scenic Corridor, Brookings, Oregon

Community Outreach

COLUMBIA RIVER GORGE

- Community Education
- Friends of the Columbia Gorge
- Hood River 4-H
- Hood River Cider Fest
- Hood River County Sheriff
- Hood River Elementary School Auction
- Hood River Hops Fest
- Hood River Relay for Life
- Hood River Rotary Club
- Hood River Tree Lighting
- HRVHS Graduation

PARKROSE COMMUNITY

- Future Business Leaders of America
- Parkrose Education Foundation
- Parkrose Recycle and Cleanup Day
- PHS Career Day
- PHS Dance Team
- PHS Graduation Party
- Prescott Elementary Carnival



PORTLAND/VANCOUVER

- Doernbecher Children's Hospital
- Gresham Farmers Market
- Gresham Lions Club
- Kiwanis Children's Cancer Program
- Leach Botanical Garden
- Madison High School Girls Soccer
- Margaret Scott Elementary School Food, Clothing and Toy Drive
- Oregon Food Bank
- Portland Parks & Recreation
- Portland Strollathon
- Schoolhouse Supplies
- Shepherd's Door and the Harbor
- World Forestry Center
- Zarephath Ministries Food Drive and Bottle Collection

CU4KIDS

PNWFCU and fellow NW credit unions proudly raised \$628,226 to benefit our regional Children's Miracle Network Hospitals at the annual CU4Kids gala.

...AND OUR ANNUAL SCHOLARSHIPS!

Each year we give two \$1,000 scholarships to deserving students. Congratulations once again to our 2018 scholarship winners! Abigail plans to attend Oregon State University and major in biology. Our second winner preferred to remain anonymous.



Clockwise from top: Our employee, LuAnn, donated 40 winter hats crocheted by her mom for our Margaret Scott Elementary School food, clothing and toy drive; we donated new backpacks to Lents K-8 students; Parkrose High School students learned how to manage money at our interactive Financial Reality Fair; Hood River Branch Manager Oraliala taught preschoolers about the value of saving.

What's New at PNWFCU

EXPANDED CONTACT CENTER

We expanded our contact center hours to 8am-8pm Monday-Friday and 10am-2pm Saturday. It is easier for you to contact us, manage your accounts and apply for a loan. You also have more ways to get a hold of us with new text messaging (503.256.5858) and chat options.

NEW DIGITAL WALLET OPTIONS

You can now carry your PNWFCU debit and credit cards on your mobile device and make payments using Apple Pay™, Google Pay or Samsung Pay. These payment methods are accepted at thousands of stores.

Apple, the Apple logo, iPhone, and iPad are trademarks of Apple Inc., registered in the U.S. and other countries. Apple Pay, Touch ID, and Apple Watch are trademarks of Apple Inc.

VIEW YOUR FICO® SCORE FOR FREE*

There's a new feature available in online banking and on our mobile app. If you have a loan with us, you can now view your FICO® Score for free. This enables you to:

- Have free online access to your FICO® Score.
- See the key factors that affected your FICO® Score.
- Read educational content on FICO® Scores, financial health and more.

PNWFCU will update your FICO® Score quarterly, and viewing your FICO® Score will not impact it, so visit the site as often as you want.

**FICO® is a registered trademark of Fair Isaac Corporation in the United States and other countries.*

REFER A MEMBER, Win \$250!

If you're happy and you know it, tell a friend! Fill out this referral card and share it with a friend, family member or co-worker. For every new member who joins PNWFCU, you'll be entered to win \$250 each, with a pair of winners drawn monthly.

**New member must be 18 or older and set up savings and checking OR savings and a loan to qualify for \$250. New member must meet account requirements for referring member to qualify for \$250. We will draw a pair of winners monthly. New member's earnings will be reported on form 1099 INT, as required. Program subject to change without notice.*

Current Member's Name

Current Member's Phone #

New Member's Name

(Welcome! Bring this card to your local branch to open an account.)

FOR OFFICE USE ONLY

DATE OPENED:

NEW MEMBER #:

TELLER #:

CURRENT MEMBER #:

LEGENDARY LANDSCAPES

Photo Contest

Our 2018 photo contest broke a record with 106 entries! For every entry, we donated \$1 to the World Forestry Center, and for every \$10 calendar sold, we donated \$10 to Doernbecher Children's Hospital. Thank you to all of our participants. These were our top three winners:

1. Steve Levy, Alaska Range (pictured top)
2. Meredith Martin, Sossusvlei, Namibia (bottom left)
3. Richard North, Swiftcurrent Lake (bottom right)



Thank You

Congratulations to our employees who celebrated milestones in 2018. We thank you for your hard work and dedication to PNWFCU. And a special thank you to Harold Smith, who retired from his 26-year career at PNWFCU. In celebration of Harold, we deemed every second Friday of February "Harold Smith Jeans Day" at the credit union for the next 26 years.

30 YEARS OF SERVICE

Laureen Boda, SVP CFO

20 YEARS OF SERVICE

Dana Eaton, VP Marketing
Valerie Baxter, Branch Manager

15 YEARS OF SERVICE

Thomas Griffith, President/CEO
Karina Perez, Risk & Compliance Manager

10 YEARS OF SERVICE

Tina Litsey, Mortgage Underwriter
Gerry Benko, Lending Support Specialist
Becky Shinn, Assistant Branch Manager

5 YEARS OF SERVICE

Kelly Magaña, Member Service Rep.
Chanie Chimienti, MRO
Yareli Flores Polanco, MRO

Prize Sponsors

- Aspen Landscape Management
- Auto Mentors
- Bay View Building Maintenance
- BIT
- CEO Promotions
- CO-OP Shared Branch
- Cook Security
- CU Business Group
- CUDL
- CUNA Mutual
- Digital Insight
- Hunter Davidson
- Lipsky Research
- Meadow Outdoor
- Mike Caro Attorney
- MortgageClick
- Moss Adams
- National State Insurance
- NCANET
- Pacific Office Automation
- Paulson Printing
- Providence Health Care
- TENA Companies Inc.
- Total Merchant Concepts
- USI Benefits Broker
- XP Fiserv

Leadership

BOARD OF DIRECTORS

Paresh Patel, Chairman
Larry Long, Vice Chair
Spencer Wedlund, Treasurer
Ron Miller, Secretary
Linda McKinney, Director
Nancy Morgan, Director
Harry Speropulos, Director
Henry Tieu, Director
Shara Wokal, Director
Holly Howard, Assoc. Director

SUPERVISORY COMMITTEE

Nancy Morgan, Chair/Board Member
James Dunphy, Member
Robert Mealey, Member
Pat Melvin, Member

SENIOR MANAGEMENT

Tom Griffith, President/CEO
Lauren Boda, SVP CFO
Diane Calvin, SVP CLO
Dana Eaton, VP Marketing
Dave Thompson, VP HR & Risk Mgmt.
Eric Keyser, VP IT
Jessica Nielsen, VP Operations



From top: North Sister and Middle Sister of the Cascade Mountain Range, Oregon; Snoqualmie Falls, Washington

YOUR FINANCIAL PARTNER

for Life...

ERIN WAY BRANCH

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Portland, OR 97220
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911/BPA BRANCH

911 NE 11th Ave.
Portland, OR 97232
503.256.5858

HOOD RIVER BRANCH

1004 Pacific Ave.
Hood River, OR 97031
800.444.5858

ROSS BRANCH

1650 NE Ross St.
Vancouver, WA 98663
360.693.7368

Website: pnwfcu.org | Call or Text: 503.256.5858

