

Statement of Financial Condition

For the years ended December 31, 2014 and 2015

| Assets | 2014 | 2015 |
|---------------------------------------|----------------------------|----------------------------|
| Loans to members (net) | \$20,395,951 | \$21,390,822 |
| Cash & Investments | 4,656,523 | 5,306,717 |
| Equipment / Facilities (net) | 1,180,149 | 1,129,588 |
| All Other Assets | <u>402,795</u> | <u>387,533</u> |
| Total Assets | <u>\$26,635,418</u> | <u>\$28,214,660</u> |
| Liabilities | | |
| Accounts Payable | \$ 5,020 | \$ 10,335 |
| All Other Liabilities | <u>288,552</u> | <u>208,712</u> |
| Total Liabilities | <u>\$293,572</u> | <u>\$219,047</u> |
| Equity | | |
| Shares | \$22,575,016 | \$24,217,985 |
| Regular Reserve | 791,321 | 791,321 |
| Undivided Earnings | <u>2,975,509</u> | <u>2,986,307</u> |
| Total Member Equity | <u>\$26,341,846</u> | <u>\$27,995,613</u> |
| Total Liabilities & Equity | <u>\$26,635,418</u> | <u>\$28,214,660</u> |

Statement of Income & Expense

For the years ended December 31, 2014 and 2015

| Income | 2014 | 2015 |
|----------------------------------|---------------------------|---------------------------|
| Interest on Loans | \$ 1,199,311 | \$1,677,073 |
| Income on Investments | 79,045 | 24,464 |
| Other Income | <u>264,535</u> | <u>294,894</u> |
| Total Income | <u>\$1,542,891</u> | <u>\$1,996,431</u> |
| Expenses | | |
| Employee Compensation & Benefits | \$ 622,823 | \$ 747,010 |
| Professional & Outside Services | 299,377 | 315,267 |
| General Office Expense | 193,768 | 215,771 |
| All Other Expenses | <u>315,538</u> | <u>688,565</u> |
| Total Expenses | <u>\$1,431,506</u> | <u>\$1,966,613</u> |
| Income Before Dividends | \$111,384 | \$29,818 |
| Dividends | \$ 24,495 | \$18,840 |
| Net Income <Loss> | <u>\$86,890</u> | <u>\$10,978</u> |



CONNECTION
CREDIT UNION

2015 Annual Report

58th Annual Meeting March 24, 2016

Silverdale Office
10200 Silverdale Way NW
(360) 307-6400 / fax (360) 307-6440
Monday – Friday 9:00 AM to 5:00 PM
(Drive-up open until 5:30)

Bremerton Office
911 Park Ave (Inside the Fire Station)
(360) 479-1560
Monday – Thursday 9:30 AM to 5:00 PM
Friday 9:30AM to 5:30 PM
(Closed 1:30 PM to 2:30 PM for lunch)

Port Orchard Office
Givens Community Center
1026 Sidney Ave, Room 145
(360) 337-7009
Monday – Friday 8:30 AM to 4:30 PM
(Closed 1:30 PM to 2:30 PM for lunch)

Mailing Address
P O Box 3990
Silverdale WA 98383

www.connectioncu.org

Mission

Take care of the member and everything else will take care of itself.

Vision

Helping members build financial futures, one relationship at a time.

Chairman's Report

What's your story?

Throughout history stories have always been an important way to share information. Studies suggest that people accept ideas more readily when their minds are in story mode as opposed to an analytical mind-set. Stories are so powerful that sometimes our earliest memories are not of the actual event, but the repeated stories we heard about the event. We often use stories to transform ourselves, to make a difference in the world or to broaden our perspective.

So what's your story...your credit union story? I like to tell the story of when we first joined the credit union, back in 1987. My wife went into the Port Orchard branch and was looking around. The teller noticed her, and asked if she could help her. She said she was looking for a deposit slip because she needed to make a deposit. Without missing a beat the teller said just give me your deposit and I'll make it! We were so used to banks and their processes that we were totally unprepared for personal care and attention like that.

I tell that story often, to help people understand the difference between a bank and a credit union. Watch the marketing efforts of many companies, and you'll see they're telling stories. I really like the BECU commercials that tell short stories of how that credit union impacts individuals. Budweiser is famous for their one minute commercials that tell a powerful and moving message...and oh yeah, they're selling beer too. We are moved by stories, and stories can make us move to action. So...what's your story? The Board of Directors want to hear from you. We want you to be part of our marketing team. Tell us your story, and we might use it in our marketing efforts. In fact, we'll give \$50 awards to the two most compelling stories of how Connection Credit Union impacted their life. Email your credit union story to me at douglasb@connectioncu.org.

But more importantly, tell your story...and our story...to people who don't know the credit union difference. Stories connect the past and present to the future. They can awaken future generations to their true potential. They can move us to new understandings about the things we thought we always knew.

So what's your story? Let us know.

Douglas E Bear
Chairman of the Board

President's Report

2015 was a year of continued gradual improvement in our local and national economy and we had the first rate increase from the Federal Reserve since 2006. Your credit union was able to generate a profit of \$10,977.56 for the year as compared to \$86,889 in 2014. The biggest reason for the decline was the amount of money necessary for loan loss reserves. Unfortunately, not everyone pays their loans on time as agreed. We take this very seriously and are continually refining our processes, actions and policies and will work diligently to reduce this loan loss amount in the future. It is your money and we take that responsibility very seriously.

We ended the year with net capital of 13.39% which is nearly double the regulatory requirement of 7%. Our total assets grew to over \$28.2 million from \$26.6 million at the end of 2014. For the year we had loan growth of 5.12%, share growth of 7.28%, asset growth of 5.93% and membership growth of 9.44%. All these growth numbers point to a very positive future for our credit union and are significantly above our peer group of small credit unions under \$50 million in assets. If we are growing in loans, shares, membership and assets, it is an important barometer that we are still relevant to our membership and the Kitsap community.

One of the biggest reasons for our growth has been a dedicated and focused effort to get back to basics and *Act Like a Credit Union*. That means living those 'people helping people' core credit union philosophies and replicating and adapting those actions and principles that helped us be successful in the past. It means helping people that need the help and not just those above a certain credit score. One of the changes we made last year was to update our Vision and Mission statement to make them more relevant. Our Vision is "Helping members build financial futures, one relationship at a time" and our Mission is "Take care of the member and everything else will take care of itself". These aren't statements that some consultant came up with for us, but instead represent what we are trying to do each and every day and with every member interaction. It is what 'acting like a credit union' means to us.

You can do your part to help our not-for-profit financial cooperative by sharing your stories on how the credit union has helped you or someone you know. These stories are important because the best way to share *our* credit union story is through *your* stories. As we all know, actions speak

louder than words and your stories will help us get the word out to others in our community, industry and elected officials about why Connection Credit Union is the best little credit union in Kitsap county.

There are fewer and fewer credit unions each year as many small credit unions have been forced to merge into larger ones. When that happens, our industry loses a piece of that credit union spirit that is critical for our uniqueness and survival. As institutions get larger and larger, many lose sight of what made them successful in the first place. Every large institution was at one point a small one and sometimes growth can lead to a shifting of focus on what is important. We don't want that to happen to us and will stay strong in our belief in those core values of a true not-for-profit financial cooperative. We are the only small credit union left in Kitsap county and if we don't act like a credit union who will?

Thank you for your membership.

Scott Prior
President/CEO

Supervisory Committee Report

The Supervisory Committee is responsible for ensuring that the credit union's financial records are in order and that internal controls are in place to protect the assets of the credit union and its members.

The Committee meets regularly to review and discuss internal controls and auditing matters. They also perform the bi-annual verification of member accounts, hire an accounting firm to perform the required audits, and review the actions of the board of directors and officers to ensure they are exercising proper control over the credit union's affairs.

The financial statements presented in this report and the results of the 2015 annual audit performed by the Jones & SAS CPA firm have affirmed our belief that Connection Credit Union has adequate financial controls and is financially sound.

**Tom Saunders, Madeline Durham,
Wayne Hamilton, Jim McCready**
Supervisory Committee Members

Board of Directors

Chairman: Doug Bear
Vice Chair: Jim Svensson
Secretary: Richard Hayes
Member: Mike Eslava
Member: Allison Satter
Member: Jim Durham
Member: Jim Rogers

Supervisory Committee

Chairman: Tom Saunders
Member: Madeline Durham
Member: Wayne Hamilton
Member: Jim McCready

Management & Staff

President/CEO: Scott Prior
Vice President: Cindy Berry
Operations Manager: Scott Haeg
Member Service Rep: Kathryn Barto
Member Service Rep: Jennifer Beaton
Member Service Rep: Chari Dean
Member Service Rep: Taylor Frehner
Member Service Rep: Mary Ann Hansen
Member Service Rep: Harper Hibbs
Member Service Rep: Jireh Soriano
Loan Manager: Evie Webb
Loan Processor: Anne Donahue
Loan Processor: Stacey Lewis
Loan Support: Kaitlyn Bear
Accounting: Corey Suraci
Back Office Support: Villa MacNealy
Front Office Support: Kristina Emery