

Statement of Financial Condition

For the years ended December 31, 2015 and 2016

Assets	2015	2016
Loans to members (net)	\$21,390,822	\$21,162,667
Cash & Investments	5,306,717	8,206,009
Equipment / Facilities (net)	1,129,588	1,090,833
All Other Assets	<u>387,533</u>	<u>365,115</u>
Total Assets	<u>\$28,214,660</u>	<u>\$30,824,624</u>
Liabilities		
Accounts Payable	\$ 10,335	\$ (5,734)
All Other Liabilities	<u>208,712</u>	<u>276,088</u>
Total Liabilities	<u>\$219,047</u>	<u>\$270,354</u>
Equity		
Shares	\$24,217,985	\$26,703,258
Regular Reserve	791,321	791,321
Undivided Earnings	<u>2,986,307</u>	<u>3,059,691</u>
Total Member Equity	<u>\$27,995,613</u>	<u>\$30,554,270</u>
Total Liabilities & Equity	<u>\$28,214,660</u>	<u>\$30,824,624</u>

Statement of Income & Expense

For the years ended December 31, 2015 and 2016

Income	2015	2016
Interest on Loans	\$1,677,073	\$1,664,644
Income on Investments	24,464	49,512
Other Income	<u>294,894</u>	<u>322,286</u>
Total Income	<u>\$1,996,431</u>	<u>\$2,036,442</u>
Expenses		
Employee Compensation & Benefits	\$ 747,010	\$ 806,077
Professional & Outside Services	315,267	324,315
General Office Expense	215,771	224,032
All Other Expenses	<u>688,565</u>	<u>588,193</u>
Total Expenses	<u>\$1,966,613</u>	<u>\$1,942,617</u>
Income Before Dividends	\$29,818	\$93,825
Dividends	\$18,840	\$20,441
Net Income <Loss>	<u>\$10,978</u>	<u>\$73,384</u>



CONNECTION
CREDIT UNION

2016 Annual Report

59th Annual Meeting March 30, 2017

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

Greetings, and on behalf of the Board of Directors we welcome you to this year's annual meeting. This is a great opportunity to share the successes we've experienced, as well as the challenges we face. We are glad you can be here for this meeting.

If you Google "small credit unions future" you'll find that most experts consider the small credit union as a vanishing breed. Small credit unions face the same level of regulation large credit unions face, and absorb the costs of the regulations imposed. Connection Credit Union is different. We're still able to focus on our goals, remain financially stable, and serve members on a local and personal basis. We are unique in the small credit union sector, and we intend to stay that way!

Each year the Board meets with staff in early November to develop our strategic plan. These planning efforts help reinforce the heart of our mission, and provide staff with clear direction on how to implement strategic goals. While we have generally looked at a 3-year window, it's been a while since we've really engaged our members in determining where we want to be in five years, in ten years, and even in longer-range windows.

To that end we are very fortunate to have two volunteer board members with experience in long-term planning. Allison Satter is a planner with Bremerton's Community Development Department. Jim Rogers is a planner with Kitsap County's Department of Public Works. We're going to leverage their professional skills and practices to engage you in this process. We'll have an introduction to the process this evening. You'll see other opportunities between now and October where you can participate. We encourage you to participate readily, and help us know what our members value, and where we want to go as Connection Credit Union.

Douglas E. Bear
Chairman of the Board

President's Report

2016 was another positive year for your credit union. We are continuing a strong growth trend and ended 2016 with total assets of \$30.8 million which is a 9.25% increase over 2015. Net income for the year was \$73,369 which was an improvement over the \$10,977 we earned in 2015. Membership growth for the year was 5.85% which is strong membership growth for a credit union our size. The vast majority of small credit unions are losing members. Our capital declined slightly to 12.5% with the primary driver being the deposit and subsequent asset growth. Your credit union remains financially stable and we look forward to a strong future.

The trends for small credit unions are not positive as more are going away each year and merging into larger credit unions. There are a number of reasons for this trend but the ones most often used when a small credit union merges is additional regulatory compliance burden resulting from the great recession, lack of growth in loans and membership, and the high cost to implement technology that today's members need.

Connection Credit Union also faces these challenges, but we also have significant opportunities that many of our counterparts do not. We are the only small credit union in Kitsap County and we are proud to serve a very loyal membership base. We recognize you have many choices for financial services and we will work diligently to continue to earn your business. Our mission statement is "take care of the member and everything else will take care of itself". We take that seriously and try to put that philosophy into action every day and with every interaction.

While the trend for credit unions our size are to merge with a larger CU, our plans are to focus on serving our members, decrease expenses, increase income and continue to grow and thrive for our membership and in our community. To continue to this trend in the future, we need your help and input on our direction. Your referrals are always

appreciated and we will be soliciting your ideas in many areas this year as we make plans for the future. Our plans will take a longer term viewpoint and your input will help ensure we are aligned with the expectations of our membership. As the member-owners of our not-for-profit financial cooperative, your voice carries a great deal of weight. We sincerely hope you will take the time to continue to help us determine our best course forward.

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 2016 annual audit performed by the Hauser, 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 Durham
Secretary: Richard Hayes
Member: Michael Eslava
Member: Allison Satter
Member: Jim Rogers
Member: Kirsten Niemann

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: Mary Ann Hansen
Member Service Rep: Jennifer Beaton
Member Service Rep: Chari Dean
Member Service Rep: Jireh Soriano
Member Service Rep: Harper Hibbs
Member Service Rep: William Reyes
Member Service Rep: Amber Henry
Loan Manager: Evie Webb
Loan Officer: Summer Schurr
Loan Processor: Kathryn Barto
Loan Processor: Kathy Denton
Loan Processor: Pam Whitt
Loan Support: Kaitlyn Bear
Collections: Anne Donahue
Accounting: Corey Suraci
Back Office Support: Villa MacNealy
Front Office Support: Kristina Emery