

Statement of Financial Condition

For the years ended December 31, 2017 and 2018

Assets	2017	2018
Loans to members (net)	\$18,963,251	\$18,475,989
Cash & Investments	8,687,586	9,381,007
Equipment / Facilities (net)	1,057,375	1,035,459
All Other Assets	<u>332,310</u>	<u>295,436</u>
Total Assets	<u>\$29,040,522</u>	<u>\$29,187,891</u>
Liabilities		
Accounts Payable	\$ 531	<\$ 3,034>
All Other Liabilities	<u>128,241</u>	<u>343,925</u>
Total Liabilities	<u>\$128,772</u>	<u>\$340,891</u>
Equity		
Shares	\$25,168,407	\$25,126,619
Regular Reserve	786,321	786,321
Undivided Earnings	<u>2,957,022</u>	<u>2,934,060</u>
Total Member Equity	<u>\$28,911,750</u>	<u>\$28,847,000</u>
Total Liabilities & Equity	<u>\$29,040,522</u>	<u>\$29,187,891</u>

Statement of Income & Expense

For the years ended December 31, 2017 and 2018

Income	2017	2018
Interest on Loans	\$1,510,261	\$1,295,073
Income on Investments	95,742	141,061
Other Income	<u>342,276</u>	<u>383,138</u>
Total Income	<u>\$1,948,279</u>	<u>\$1,819,272</u>
Expenses		
Employee Compensation & Benefits	\$ 856,308	\$900,166
Professional & Outside Services	309,199	329,068
General Office Expense	244,772	198,887
All Other Expenses	<u>619,717</u>	<u>277,767</u>
Total Expenses	<u>\$2,029,996</u>	<u>\$1,705,888</u>
Income Before Dividends	<-\$81,717>	\$113,384
Dividends	\$20,938	\$19,064
Net Income <Loss>	<u><-\$102,655></u>	<u>\$94,320</u>



2018 Annual Report

61st Annual Meeting
March 28, 2019

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 daily for lunch)

Mailing Address
P O Box 3990
Silverdale WA 98383

www.connectioncu.org

Supervisory Committee Report

The main responsibilities of the Supervisory Committee are to retain services for an annual examination of the credit union's financial condition, coordinate the verification of member accounts, monitor the review of internal controls and ensure compliance with laws and regulations. Through these activities, the Supervisory Committee evaluates the soundness of Connection Credit Union's operations and helps ensure that members' assets are safeguarded.

To help accomplish these important tasks, the Committee engaged the accounting firm of Hauser, Jones and Sas to perform a certified audit in accordance with regulatory requirements. Based on the information gathered from this external audit, as well as our own internal audits to verify that controls are effectively maintained and adequately protect members, volunteers, management and staff, it is the Supervisory Committee's opinion that the credit union is financially sound, and the interests of its member-owners are being well served.

The Supervisory Committee would like to thank Connection Credit Union's management, staff, Board of Directors and members for their assistance and cooperation throughout 2018.

Wayne Hamilton, James Benlein, Jim McCready
Supervisory Committee Members

Chairman's Report

Sarah Landrum is a digital marketing specialist, freelance writer and the founder of Punched Clocks, a career advice blog that focuses on happiness and creating a career you love. She graduated from The Pennsylvania State University in 2014 with majors in Marketing and Economics and a focus in psychology. In an article she wrote in 2017, titled Millennials, Technology And The Challenge Of Financial Literacy, she noted these facts about financial literacy: About 34% of millennials are unsatisfied with their financial standing at the moment and 18% are "not at all" satisfied. More than half of them are worried they won't be able to pay back their student loans, including 34% who earn a household income of more than \$75,000 per year.

Despite these many challenges, too many millennials still lack basic personal finance knowledge. According to a survey furnished by George Washington University, only about 8% of the millennials polled had what the researchers were comfortable calling a high level of knowledge about personal finance. About one-quarter of the respondents demonstrated a basic understanding. All this, despite the fact that almost 70% of folks who took part in the study believed their money savviness was high-level.

I'm over 60 now, and I still reconcile all my accounts and keep a check register in pencil. I've learned over the years how to save, how to invest, good credit choices and a myriad of other lessons that has helped achieve some level of financial security. And I had a lot of help along the way. I was taught how to reconcile an account in high school. The Navy taught me the value of understanding your pay stub and how to save. I even learned some bad lessons about overusing consumer credit and buying a house at 18.5% interest (a whole other story for a different year!). The key is I had help in learning how to be financially secure, and taking steps early to make it happen!

Each year the Board of Directors chooses an area of focus. This year one of our focuses is financial literacy. We're a small, local, community credit union, and we

are uniquely positioned to become a leader in helping the next generation find financial independence. This means helping not only when they need a loan, but when they need counsel and advice to learn how to gain financial freedom. We've got some strategies, but we want to hear from you. If you have ideas or suggestions on how we can best serve the next generation at Connection Credit Union email them to us at DouglasB@connectioncu.org.

Douglas E. Bear
Chairman of the Board

President's Report

2018 was a positive year for your credit union as our key financials improved from 2017. We ended the year with total assets of \$29.182 million and a net income of \$94,319. Our capital increased to 13.14% from 12.89% at the end of 2017. We are still very well capitalized as the regulatory requirement is 7%. We also had positive net membership growth for the 6th year in a row. The vast majority of small credit unions are losing members. Your credit union continues on sound financial footing.

As a not-for-profit financial cooperative, your voice is critical in determining our future. One of the highlights of 2018 was the revision of our Mission and Vision statements. A membership survey was conducted in 2017 to help our board, management and staff guide our credit union forward. We also conducted short, medium and long range planning exercises in 2018 to better refine our efforts moving forward. We believe our new mission and vision statements more accurately describe who we are, what we strive to do and where we want to go as a small, not-for-profit financial cooperative.

Mission: Connection Credit Union provides each member of our local cooperative family, including those underserved by larger institutions, with personalized financial and

education services, ensuring all our members have the tools for financial success.

Vision: Connection Credit Union is Kitsap County's premier choice for a truly local not-for-profit financial cooperative. Our community of financially literate and healthy members is built through superior service, technology, education and community involvement.

It is our goal to continue to focus on *local* and serving the Kitsap community in the best way we can with the resources and connections we have. We will continue to be flexible and demonstrate each and every day a willingness to work with all our members to find the best solutions and path forward. We are also investing in our future with improved technology and digital banking options. We had planned on rolling out solutions in 2018 but our chosen vendor exited the digital banking market so we needed to start anew. We're also adding new debit and credit card tools to complement our chip enabled cards and new card styles that have been recently rolled out to our members.

The challenges for small credit unions continue to increase as more are going away each year and merging into larger credit unions. In 1990, there were 214 credit unions in Washington under 100 million in assets (the current definition of small credit union). In 2019 there are only 44. The ever increasing regulatory burden, higher compliance and increased competition are key reasons for the decline. Connection CU is the only small credit union in Kitsap County and you can help by continuing to do business with your credit union and refer others to us. We are proud to serve a very loyal membership base and recognize you have many choices for financial services. We hope you continue to choose us.

Thank you for your membership.

Scott Prior
President/CEO

Board of Directors

Chairman: Doug Bear
Vice Chair: Jim Durham
Secretary: Richard Hayes
Member: Allison Satter
Member: Kirsten Niemann
Member: Dena Swisher
Member: John Jogerst

Supervisory Committee

Chairman: Wayne Hamilton
Member: James Benlein
Member: Jim McCready

Management & Staff

President/CEO: Scott Prior
Vice President: Cindy Berry

Accounting Manager: Corey Suraci

Operations Manager: Scott Haeg
Member Service Rep: Jennifer Beaton
Member Service Rep: William Reyes
Member Service Rep: Scott Sanders
Member Service Rep: Rebekah Tharp
Member Service Rep: Shelby Anderson

Loan Manager: Evie Webb
Loan Officer: Summer Schurr
Loan Officer: Pam Whitt
Loan Officer: Kathy Denton
Loan Support: Kathryn Barto
Loan Support: Zenaida Romero

Collections: Anne Donahue
Internal Auditor: Villa MacNealy