

# Connected with Our Community Since 1937

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Unitus Community Credit Union | **Annual Report 2016**



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## A MESSAGE TO OUR MEMBERS

On the cusp of our 80-year anniversary in July, there is much cause for excitement looking ahead to what's next for Unitus and our members. Our credit union is healthier than it has ever been and looks to remain that way in the future, with new product and service innovations on the way this year. Before we jump ahead to 2017, we first want to thank you, our members, for believing in us and for helping to make 2016 a record year for Unitus. In this past year our credit union hit a major milestone in assets, experienced record loan growth, and successfully transitioned key leadership roles including President and CEO. Our "One Team" principle, which leads employees to put members' and colleagues' interests before their own, shined as all levels of Unitus staff worked together to improve the financial well-being of our members.

In August 2016, the Board announced Steven Stapp to lead our credit union through the next chapter in our steadfast mission to better serve our members and communities. He has brought stability and success in each of his past endeavors, including eight years serving as President & CEO of San Francisco Federal Credit Union, five years as Executive Vice President & Chief Financial Officer at Redwood Credit Union, and decades of combined service on the boards of the World Council of Credit Unions, the CO-OP Shared Branching Network, the Financial Service Centers Cooperative and other significant financial industry organizations. But these credentials alone are not enough to earn the opportunity to lead Unitus. We have always seen commercial success only as a byproduct of an earnest mission to give first and leave our communities greater than we found them.

What sets Steve apart is not his resume but rather his actions. What do I mean? We were heartened to learn that he began his tenure by hosting an informal meet-and-greet for all Unitus employees, so he could personally introduce himself. He has made it a regular practice to walk the halls of the Unitus Plaza building and visit the branches eliciting feedback from employees at all levels and departments. With Steve's humility and cooperative spirit in action, we could not be more confident in the direction of our credit union and are excited to continue improving member service led by a person who puts service first in all areas of life.

A constant driving force throughout our 80 years of growth has been our mission to support our communities through philanthropic partnerships and volunteer community service. We were delighted last year to launch a new partnership with the Oregon State Beavers football program called Dream Come True. This program gave seven ailing young children the opportunity to spend time with the OSU football team and coaching staff, become a star football player for a day, and enjoy the game with their family from the box seats at Reser Stadium. To remember the occasion, each boy or girl brought home a personalized OSU game jersey and a football signed by Beavers players and coaches. As part of the experience, each young child was honored at midfield during halftime along with their family. For a family with a child facing a serious illness, good news is not always easy to come by. This memorable experience brings hope and joy for the children, and provides a memorable experience for families to cherish with their precious child.

Last year we sponsored and assisted in the Portland Rose Festival, which some employees have described as one of their most gratifying experiences. Indelibly linked with the history of Portland itself, this annual program celebrates the most brilliant young women in the Portland-metro area, challenging them and giving them significant opportunities to grow in so many ways. First, our employees volunteered to help with the princess selection process. After the finalists had been chosen, many of Unitus' own remarkable female employees mentored these bright young women, getting to know them on a personal level and providing valuable career and life guidance. Some Unitus employees even lent their time to help hand-decorate the float that carried the princesses proudly along the Grand Floral Parade. This wasn't the only contribution we made to bright students last year. We continued our annual scholarship tradition, donating over \$10,000 to enterprising young students to help with tuition payments. Unitus has granted more than \$130,000 to motivated high school, undergraduate and graduate students collectively through our scholarship program.

While we are honored to contribute to these celebrated events we do not lose sight of the important work we can do every day with our community partners.

These are the local nonprofit organizations we collaborate with on a regular basis, including Schoolhouse Supplies, Helping Hands, Share Vancouver, Good Neighbor Center, SnowCap, Clackamas Service Center and Doernbecher Children's Hospital. We continued to support Doernbecher Children's Hospital in various ways: through fundraisers, volunteer work, and our annual Wine on the Willamette event which included a charity auction, sponsorship fundraising, and the heartwarming art day with the kids where Unitus employees join young patients to create art together.

Unitus employees pledged over 1,300 community service hours in 2016 all together. To put that in perspective, our employees donated about six months of work back into our communities last year.

We were gratified to receive recognition for our community engagement, loan growth, company culture and more last year. We received the Corporate Philanthropy Award from the Portland Business Journal for our work in support of our communities. We emerged as a Top 10 Residential Mortgage Lending Firm in the Portland-Metro Area thanks to the strength of our member-oriented mortgage programs. We were recognized as a Top 10 Credit Union in Oregon & SW Washington due in large part to our company culture of cooperation. Finally, we were again named a Top 20 Most Admired Company by the Portland Business Journal. This recognition is a testament to our employees' commitment to advocate for their members, serve their communities, and support all those around them. I'd like to acknowledge our Leadership Team, Board of Directors, Audit Committee, and each of our uniquely giving staff for their unwavering dedication to their communities and to each other.

Finally, I want to thank you, our members, for supporting us last year and the many years before which set the stage for our record year. This doesn't just happen overnight. It takes discipline, consistency, and an internal compass that never fails to keep the member at the beginning, middle and end of every decision we make as a not-for-profit financial cooperative here to serve you. Our foundation for growth continues to strengthen with high standards in place for Board procedures, Governance policies, Leadership, and exemplary staff at all levels. We are excited to embrace every opportunity to improve your financial well-being now and into the future.



*Susan M. Iggulden*

Susan Iggulden, Chair

Our members continued to inspire us throughout 2016. Almost 900 members purchased new homes with help from our dedicated home loan experts, securing a foundation for their families to thrive. Collectively we helped members fund more than \$200 Million in new homes, a record for our credit union. Further, our resourceful members drove a 33% increase in business loans funded year over year, improving the aggregate economic outlook throughout the areas of Portland-Metro and SW Washington. When our founding members met in the employee club room at the office of the Pacific Telephone & Telegraph Company in July 1937, they probably didn't imagine serving over 89,000 members throughout Oregon, Washington, and across the country as we do today. They probably didn't prepare a business plan to reach \$1.0 Billion in assets, a milestone we reached this year. By all accounts, they were focused on something much simpler and more immediate: helping the people around them today. Eighty years later, we reached this benchmark thanks to our deep-rooted commitment to find creative ways to help our members fulfill their financial goals.

This milestone is, to the outside world, the glowing achievement of generations of diligent Unitus Board Members, Audit Committee, Leadership Team and talented staff. In my eyes, this milestone is nothing more or less than an honest testament to the principles that govern every action we take at Unitus: principles of cooperation, generosity of spirit, and commitment to selfless service. Our mission is to improve the financial well-being of our membership. The better we are at serving our members, at supporting them in times of need, and at making them smarter about their finances, the greater our opportunity is to give back to our members and communities. This positive feedback was whole-heartedly exemplified last year as we continued to innovate and provide better service to our members who in turn improved their own lives as well as the lives of their families and their communities.

#### TOTAL CAPITAL

YEAR	BALANCE	\$ CHANGE	% CHANGE
2012	84,988,000	15,737,000	22.7%
2013	81,914,000	(3,074,000)	(3.6%)
2014	92,834,000	10,920,000	13.3%
2015	101,612,000	8,778,000	9.5%
<b>2016</b>	<b>110,962,000</b>	<b>9,350,000</b>	<b>9.2%</b>

## New Branch Opening

We opened a new branch last year in the heart of the North Williams district. We are excited to serve this growing community thriving with new businesses and residents. We are also thrilled to have new branches scheduled to open in 2017 and 2018, enabling us to deliver face-to-face financial services to more members throughout more local communities.

### DEPOSIT GROWTH

YEAR	BALANCE	\$ CHANGE	% CHANGE
2012	802,554,000	72,084,000	9.9%
2013	824,322,000	21,768,000	2.7%
2014	811,089,000	(13,233,000)	(1.6%)
2015	856,322,000	45,233,000	5.6%
<b>2016</b>	<b>921,371,000</b>	<b>65,049,000</b>	<b>7.6%</b>

## Record Growth in Loans and Deposits

In 2016 we set records for loans funded, helping members launch their business, purchase homes for their families, free up cash using their home's equity through Equity Line Plus, and get more out of life. Our total loans funded and approved saw a 12% increase over last year. Our record number of home loans funded improved on the previous year's record number. Our home equity loans increased 41%, a figure we are thrilled about since it indicates that our members are thinking critically and creatively using the assets available to them to go farther, faster. Our loan delinquencies and charge-offs both lowered in 2016, while average household balances increased, each great signs of our members' increasing financial health. Finally, our deposits continued to grow, reflecting the improving health of our members' finances.

“ The follow-up and assistance after the closing has been remarkable and to a level I have never experienced before with any other lender . . . I have been involved in the real estate business for over forty years and I have owned and financed a number of homes and commercial properties, I can say without hesitation that the experience I had working with Brad and Unitus Credit Union was exceptional. Brad is truly a professional and I am looking forward to working with him and Unitus Credit Union in the future. ”

~ Richard Langdon, member for 6 months

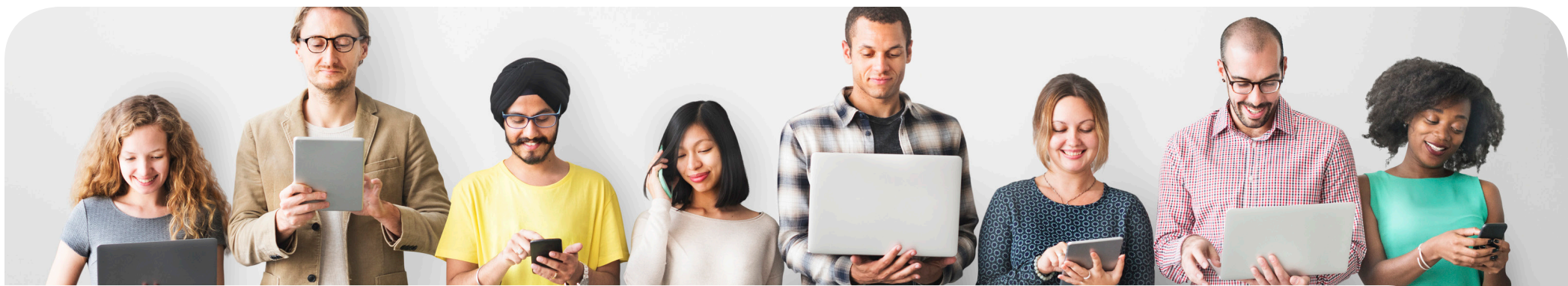
### TOTAL LOANS ORIGINATED

YEAR	BALANCE	\$ CHANGE	% CHANGE
2012	409,947,000	98,308,000	31.5%
2013	418,058,000	8,111,000	2.0%
2014	430,856,000	12,798,000	3.1%
2015	546,364,000	115,508,000	26.8%
<b>2016</b>	<b>570,682,000</b>	<b>24,318,000</b>	<b>4.5%</b>

Despite expanded regulations in today's booming housing market, almost a thousand Unitus members closed on new homes in an increasingly challenging market last year. While we were thrilled at this record number, we recognized there was more work to be done after hearing stories from members who lost their chance to close on their dream home due to unreasonably long waits for an appraisal. To alleviate this issue, we jumped into action. We worked on a streamlined loan program that would allow qualified members to "skip" the appraisal step in order to more quickly close on the home they love. In December 2016, we launched the No Appraisal Loan. Your home is one of the biggest purchases you will ever make in your life, but it's so much more than that. It's the cozy living room where you grew so close with your friends that you became brothers and sisters. It's the bedroom that got extra warm on weekend mornings when the sun would awaken you and the smell of breakfast would tease you into the kitchen. It is the attic where you store all that junk you're going to get rid of "some day." You deserve the home you love. It means a lot to us.

### MORTGAGE GROWTH

YEAR	BALANCE	\$ CHANGE	% CHANGE
2012	230,174,000	4,254,000	1.9%
2013	235,192,000	5,018,000	2.2%
2014	240,162,000	4,970,000	2.1%
2015	295,638,000	55,476,000	23.1%
<b>2016</b>	<b>355,615,000</b>	<b>59,977,000</b>	<b>20.3%</b>



## Mobile and Technological Enhancements

The world of personal banking shifted in 2016. Our members are increasingly using their mobile phones as their primary way to manage their finances. Early last year it became clear that our members would benefit from a strategic focus on improving our mobile banking experience. In response, we upgraded our mobile app to our new 3.0 version, which features a more user-friendly interface and more convenient ways to manage finances. Secondly, our long term project came to fruition in January of this year when we launched our revamped website to overwhelmingly positive reviews from members. You will notice that the new site is completely mobile responsive, so it provides identical functionality across all devices including desktop, laptop, tablet, and mobile phone.

Our Money Quest Financial Challenge, a celebrated yearly event in our mission to help members improve all areas of their financial well-being, made a big difference in the lives of hundreds of our members last year. How do we know? You told us! We were gratified to hear what a big impact this program made, providing a four-week intensive course packed with high-level financial tips, techniques, and resources including podcasts, books and mobile apps.

“ Thanks so much for this program. It really gave me the encouragement I needed to start my year off right! ”

~ Leona, member for 14 years

Always seeking out more ways to help members save, we launched a new app called Porter’s Picks, a location-based app that helps members easily find exclusive discounts while supporting local businesses. We encourage each of our members to download the app to save money and maybe even discover a quaint new restaurant you can add to your list of favorites. As for 2017, be on the lookout this year as we roll out Financial Life Minutes, a brand new online financial wellness center packed with bite-sized interactive videos to help you navigate all areas of your financial well-being. The quick and engaging videos will help members learn about nearly every area of their personal finances including retirement savings, credit card management and balancing a personal budget.

## TECHNOLOGY GROWTH (ANNUAL)

YEAR	MOBILE BANKING	eSTATEMENTS	BILL PAY
2012	25%	36%	21%
2013	38%	45%	28%
2014	41%	49%	35%
2015	45%	52%	40%
<b>2016</b>	<b>49%</b>	<b>56%</b>	<b>43%</b>

## Security Improvements for Members

Protecting the finances our members have diligently earned and budgeted is a crucial part of improving financial well-being. Having the peace of mind that your funds are safe helps instill the confidence you need to seize your goals and overcome the challenges that come your way. Knowing how important security is, we made it a top priority last year to make your finances even more secure.

One key area we increased member security last year was through our mobile banking app. It now features a number of security enhancements including fingerprint login technology, layered multifactor authentication, and multiple auto-logout precautions. You have worked hard to build your finances. Under no circumstances should they ever be unfairly taken from you. For members like myself who frequently pay with plastic, we have you covered as well. Last year we began rolling out chip cards to keep our members’ information more secure during credit and debit card transactions. Throughout 2017, our members will continue to receive enhanced security chip cards to replace their magnetic stripe cards. Information security is an indispensable part of modern financial wellness. We look forward to providing more peace of mind for our members in 2017 by anticipating member needs and continuously improving member security.



Our credit union movement is only as successful as our members. If you think I'm just saying that, remember that when you opened your Prime Share account you became an owner of Unitus! Our only purpose is to help our members improve their financial well-being. Unlike profit-driven financial institutions who answer to stockholders, we answer to you and only you, our members. Looking ahead in 2017, we are excited to invest in new ways to improve your experience, increase your financial knowledge, and open more and more new opportunities for you, your families and your communities. Expect a new branch to open this year to provide more members with personalized service. Get support for Apple Pay, Samsung Pay and other tokenized payment platforms this year. Explore a newer, more fun and easy relationship with your finances using the interactive online wellness center that is being launched later this year. Don't ever hesitate to reach out to any Unitus employee with feedback about how we are doing. We love hearing from you.

This July will mark the 80-year anniversary of the start of our credit union and we are excited to celebrate what got us here: the opportunity to help each of you on your financial path. Thank you for your support of our credit union, for your support of your communities, and for your support of each other. Your membership makes a difference. Your role in your community makes a difference. Your role within your family and friends makes a difference. Looking ahead to 2017 and beyond, we renew our commitment to provide outstanding service to our members through new and improved products and services. Looking forward to the next 80 years!



*Steven Stapp*

Steven Stapp, CEO, President

### Board of Directors

- Susan Iggulden, Chair
- Frank Chinn, Vice Chair
- Will Rader, Secretary
- Gordon Akesson, Director
- Somnath Banerjee, Director

### Audit Committee

- Luke Watson, Chairman
- Rhonda Cramer, Committee Member
- Tiffini Mueller, Committee Member
- Ben Pappas, Committee Member
- Somnath Banerjee, Committee Member



Luke Watson, Chairman

The Audit Committee is made up of five volunteer members appointed by the Board of Directors whose primary responsibilities are to obtain services of an audit firm to complete an annual report on the financial condition of the Credit Union, coordinate the verification of member accounts, and monitor the review of internal controls, compliance with laws and regulations, and code of conduct activities.

As part of fulfilling its duties, the Committee engaged the independent accounting firm Moss Adams LLP to conduct the financial audit, manage the process to verify member accounts, and provide an opinion of the financial statements as a whole. Summarized financial statements prepared by management have been included in this annual report. In preparing the financial statements, management depends upon the Credit Union's system of internal controls in meeting its responsibility for reliable information. The Committee relies on internal audit to review, measure, and report on the internal control environment and regulatory compliance activities of business processes.

It is the opinion of the Audit Committee that Unitus Community Credit Union's financial operations and system of internal controls are sound based on reports and information received. I'd like to thank the Audit Committee members for their commitment, energy, and enduring effort throughout 2016.

REPORT OF THE  
AUDIT COMMITTEE



REPORT OF  
INDEPENDENT AUDITORS

To the Board of Directors and Audit Committee  
Unitus Community Credit Union  
Portland, Oregon

The accompanying summary financial statements, which comprise the summary statements of financial condition and the related summary statements of income, comprehensive income, and changes in members' equity, are derived from the audited financial statements of Unitus Community Credit Union (the Credit Union) as of and for the years ended December 31, 2016 and 2015. We expressed an unmodified audit opinion on those financial statements in our report dated March 1, 2017.

The summary financial statements do not contain all the disclosures required by accounting principles generally accepted in the United States of America. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of the Credit Union.

**Management's Responsibility for the Summary Financial Statements**

Management is responsible for the preparation of the summary financial statements.

**Auditor's Responsibility**

Our responsibility is to express an opinion about whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with auditing standards generally accepted in the United States of America. The procedures consisted principally of comparing the summary financial statements with the related information in the audited financial statements from which the summary financial statements have been derived.

**Opinion**

In our opinion, the summary financial statements of the Credit Union as of and for the years ended December 31, 2016 and 2015 referred to above are consistent, in all material respects, with the audited financial statements from which they have been derived.

Moss Adams LLP  
Portland, Oregon  
March 1, 2017



# STATEMENTS OF FINANCIAL CONDITION

	December 31	
	2016	2015
<b>Assets</b>		
Cash and cash equivalents	\$ 97,617,000	\$ 69,091,000
Investment securities available for sale, at fair value	176,326,000	212,266,000
Restricted equity securities	1,175,000	1,114,000
Loans receivable, net	747,402,000	673,143,000
Accrued interest receivable	2,958,000	2,785,000
National Credit Union Share Insurance Fund deposit	8,518,000	8,098,000
Property and equipment, net	7,068,000	7,174,000
Other assets	6,861,000	5,676,000
Total assets	\$ 1,047,925,000	\$ 979,347,000
<b>Liabilities</b>		
Members' share and savings accounts	\$ 921,371,000	\$ 856,322,000
Borrowed funds	—	8,000,000
Accrued expenses and other liabilities	15,592,000	13,413,000
Total liabilities	936,963,000	877,735,000
<b>Members' Equity</b>		
Regular reserves	23,423,000	23,423,000
Undivided earnings	85,799,000	75,165,000
Accumulated other comprehensive income	1,740,000	3,024,000
Total members' equity	110,962,000	101,612,000
Total liabilities and members' equity	\$ 1,047,925,000	\$ 979,347,000





# STATEMENTS OF INCOME

	<b>Years Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Interest Income		
Loans receivable	\$ 25,670,000	\$ 24,210,000
Investment securities and cash equivalents	4,099,000	4,560,000
Total interest income	29,769,000	28,770,000
Interest Expense		
Dividends on members' share accounts	1,966,000	2,284,000
Borrowed funds	234,000	458,000
Total interest expense	2,200,000	2,742,000
Net Interest Income	27,569,000	26,028,000
Provision for loan losses	1,493,000	2,327,000
Net interest income after provision for loan losses	26,076,000	23,701,000
Non-Interest Income		
Service charges and fees	13,903,000	13,214,000
Mortgage banking and loan servicing income	5,979,000	5,336,000
Gain (loss) on investment securities:		
Gain (loss) on sale of investment securities, available-for-sale	21,000	(80,000)
Other-than-temporary impairment losses	—	(35,000)
Total gain (loss) on investment securities, net	21,000	(115,000)
Other non-interest income	12,000	160,000
Total Non-Interest Income	19,915,000	18,595,000
Non-Interest Expense		
Compensation and benefits	19,061,000	18,542,000
General and administrative	16,296,000	14,634,000
Total Non-Interest Expense	35,357,000	33,176,000
Net income	\$ 10,634,000	\$ 9,120,000



## STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2016	2015
Net Income	\$ 10,634,000	\$ 9,120,000
Other Comprehensive (Loss) Income		
Unrealized losses on securities available-for-sale	(1,263,000)	(456,000)
Reclassification adjustment for realized (gains) losses included in gain (loss) on investment securities	(21,000)	80,000
Reclassification adjustment for other-than-temporary impairment realized in loss on investment securities	—	35,000
Total other comprehensive loss	(1,284,000)	(341,000)
Comprehensive Income	\$ 9,350,000	\$ 8,779,000

## STATEMENTS OF CHANGES IN MEMBERS' EQUITY

	Total Members' Equity	Regular Reserves	Undivided Earnings	Accumulated Other Comprehensive Income
Balance at December 31, 2014	\$ 92,833,000	\$ 23,423,000	\$ 66,045,000	\$ 3,365,000
Net income	9,120,000	—	9,120,000	—
Other comprehensive loss	(341,000)	—	—	(341,000)
Balance at December 31, 2015	101,612,000	23,423,000	75,165,000	3,024,000
Net income	10,634,000	—	10,634,000	—
Other comprehensive loss	(1,284,000)	—	—	(1,284,000)
Balance at December 31, 2016	\$ 110,962,000	\$ 23,423,000	\$ 85,799,000	\$ 1,740,000



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**[unitusccu.com](http://unitusccu.com)**