



# ANNUAL REPORT 2014

# A MESSAGE TO OUR MEMBERS



The more products and services our members use, the more savings returned to them every year. Last year, our members, on average, used over 4 products per member and this number continues to grow each year.

In 2014 ECONorthwest was commissioned by the Northwest Credit Union Association to conduct an independent analysis that measured the gross economic impacts of credit unions in Oregon and Washington; Unitus participated in this study. The research analyzed jobs, economic output, and income supported by credit unions in the regional economy. The study also calculated the direct benefit value that not-for-profit cooperative credit unions are uniquely positioned to return to members. The member benefit value is calculated by accounting for the differences in credit union and for-profit bank pricing. Unitus Community Credit Union's economic impact produced \$5,329,000 in direct member benefit value for one year.

While economic value is important to us, member loyalty is one of our key indicators of the value we provide to our membership. To help us measure overall member satisfaction we use a tool called Net Promoter Score (NPS). The NPS surveys calculate member approval and propensity to recommend Unitus. The feedback and information we receive drives our decisions in new product expansion; helps us refine our hiring, training and service level development; and allows us to link our strategic goals with member expectations. We ended the year exceeding our aggressive organization-wide goal of increasing this measure.

Much of the success we achieve in creating a truly unique and appreciative member experience can be attributed to our talented employees who make us proud at every level of the organization.

Our creative staff designed an event this past year to tell our members how much they mean to us by holding "Be Happier Hours" in the branches, once a month, serving up snacks and

The Unitus Board, Management and staff remained focused on not only what our membership needs with respect to financial products and services, but also how we deliver these services. At the core of our existence is a fundamental difference in how we operate our business when compared to others—we return our profits to the members. We are a not-for-profit cooperative financial services provider – driven by the very members who use our products and services. Our members' best interest is at the center of every decision we make. And that member-centric philosophy extends to the communities where our members live and work, as well.

A key difference among other strong financial institutions is the cooperative structure which ultimately delivers more real, tangible value to members. Because of the cooperative structure, members enjoy such things as lower account fees, higher interest rates on savings and checking accounts, and lower interest rates on loans.

beverages with inspiring themes like Oscar After Party, Old Fashioned Ice Cream Social, and Hot Chocolate Bar to engage with and thank our members.

We continued our 8 year tradition of performing monthly random acts of kindness for members and our community. From preparing meals at the Good Neighbor Center, to rock painting at Dozer Days, to handing out umbrellas on a rainy day, to giving away roses on the Unitus Plaza, our employees continuously look for ways to make a difference for our members and community.

Last year, our employees volunteered more than 850 hours to support our designated community partners and engaged in a number of food, clothing, and school supply drives. We have continued our 10 year commitment now to the Tools for School program through Schoolhouse Supplies. The assembly of 400 backpacks loaded with essential items for the K-8 students at Vestal School is the highlight of this program. We also continued our 9 year support of our Adopt A Class partnership providing hands-on support to Ms. Thompson's 3rd Grade Class at Vestal. And, one of our signature fundraising events to support Doernbecher Children's Hospital was another huge success raising \$50,000, now totaling \$342,548 raised over the past 7 years.

This combination of employee engagement as well as member appreciation resulted in Unitus being honored with some local recognition. For our partnership with Adopt A Class, Unitus received the 2014 Innovation in Philanthropy Award from the Portland Business Journal. This award honors companies that creatively collaborate with nonprofits and other partners to advance their mission. Unitus also placed 14th in the Medium Company category in terms of overall corporate philanthropy, marking the fifth consecutive year we've been recognized for community giving.

For the second consecutive year, Unitus was also recognized by the Portland Business Journal in the Financial Services category as one of Oregon's most admired companies by CEOs from across Oregon and SW Washington, ranking in the Top 10 companies honored. Unitus was also ranked among Oregon's Top Credit Unions (5th), Top Community Mortgage Lenders, and Top Commercial Lenders by the Portland Business Journal. The Vancouver Business Journal ranked Unitus in the top 15 for Clark County Mortgage Lenders.

The members of our Board are strongly engaged in building and continuously enhancing our board governance infrastructure. We held three separate workshops last year in addition to our regularly scheduled board and committee meetings.

In closing, Unitus continues to operate its business in a safe and sound manner, ending the year with \$928 million in assets, a good return on assets ratio, sound capital position, strong membership use of products and services, solid loan growth, and very positive member satisfaction.



Susan Iggulden, Chair



## Board of Directors

Susan Iggulden, Chair  
Jim Lewis, Vice Chair  
Lora Muller, Secretary

Gordon Akeson, Director  
Tom Faulkner, Director  
Don Mason, Director  
Scott Thompson, Director

## Audit Committee

Luke Watson, Chair  
Somnath Banerjee, Committee Member  
Rhonda Cramer, Committee Member  
Lora Muller, Committee Member  
Natalya Vasilenko, Committee Member

# WHY UNITUS?



As mentioned by our Chair, Unitus is unique by design in the service experience as well as our products provided to our membership. From uncommon courtesies such as our Random Acts of Kindness in the communities we serve to delivering financial services in a trustworthy manner, we strive to provide a number of reasons why consumers should choose Unitus for their financial products and services needs.

As one of the largest credit unions in the country and 5th largest in asset size in Oregon, we are a strong and stable local financial cooperative. In 2014, we ended the year with \$928.3 million in assets and \$92.8 million in capital, demonstrating a strong equity position that strengthens our foundation against economic headwinds. It's important to our safety and health to ensure well-capitalized levels are maintained representing our fiduciary duty to our membership. As mentioned earlier, capital protects us during challenging times, but it also provides us with flexibility and options when strategies demand growth. Shares and deposits ended the year at \$811.1 million, which is down slightly by -1.6%, however, our core checking shares grew by \$10.7 million or 7.8%. In addition, our overall member relationships grew by 4.0% in 2014.

### 3 Why Unitus?

#### TOTAL CAPITAL

YEAR	BALANCE	\$ CHANGE	% CHANGE
2010	70,587,000	11,774,000	20.0%
2011	69,251,000	(1,336,000)	(1.9%)
2012	84,988,000	15,737,000	22.7%
2013	81,914,000	3,074,000	(3.6%)
<b>2014</b>	<b>92,834,000</b>	<b>10,920,000</b>	<b>13.3%</b>

We grew gross loans to \$611.4 million, an increase of approximately \$50.1 million or 8.9%. Vehicle loans increased to \$292.5 million, representing a 15.1% increase. Our business loans posted another year of increases with 7.2% annual growth rising to \$54.1 million. And, credit card balances increased to \$38.2 million, representing an 8.5% increase. We processed 46,643 loan applications and funded \$430.9 million—an increase of \$12.8 million from 2013—while maintaining excellent loan quality.

#### TOTAL LOANS ORIGINATED

YEAR	DOLLARS ORIGINATED	\$ CHANGE	% CHANGE
2010	332,974,000	51,115,000	18.1%
2011	311,639,000	(21,335,000)	(6.4%)
2012	409,947,000	98,308,000	31.5%
2013	418,058,000	8,111,000	2.0%
<b>2014</b>	<b>430,856,000</b>	<b>12,798,000</b>	<b>3.1%</b>

Our success in offering business loans continues to motivate us to look for additional innovative products that offer attractive solutions to our members. For example, we know that when a business is just starting out, capitalization is at a premium, so equipment purchases may not be feasible. Leasing can be a more viable alternative but

one that presents its own unique parameters. Now, through a joint venture, Unitus offers equipment leasing to our business members seeking that option. Leasing is just one of the unique solutions we provide in our long term commitment to our membership. Our local knowledge and decision making enables us to support our business members' growth, job creation, and community financial health.

Additionally, Unitus sees the value in our business members and works to help them move forward to accomplish their goals. In 2008, Unitus provided Rob Taylo with a business loan when he was a fledgling startup selling his idea of Wi-Fi access for boats and RVs. While other lenders required a record of sales, Unitus listened to and analyzed his business plan, scrutinized and confirmed his vision and recognized his potential, giving him the loan he needed to get started. Today his company, SinglePoint Communications, Inc., now employs local residents, has grown 20-30 percent each year, and has installed his Wi-Fi products on dozens of Greyhound buses across the country and Santa Clara Valley transit trains in California.

“Unitus believed in me and my idea and was willing to help me achieve success.”

Rob Taylo, *founder of SinglePoint Communications, Inc.*

**Why Unitus? Because our members' loyalty is an indication of the value we provide.** People don't stay where they're not appreciated, and they don't use products they don't need. At Unitus, we have family memberships that are two and three generations deep, a testament to the impact we've had on their lives and the trust they have in our relationship. As of December 31, 2014, members who have been with Unitus for 20 or more years represented approximately 20% of our membership base. From the first savings account to the first car loan. From the first car loan to the first mortgage. From the first mortgage to retirement planning. Twenty years of entrusting their financial wellbeing with Unitus and sharing it with their friends and family members.

But that member loyalty goes beyond staying with us—our members see the value in our products and are utilizing our products and services. Our checking penetration is at 65.4% and growing. Forty-nine percent of our members are now using eStatements. And Bill Pay usage increased to 34% of our membership.

## MEMBERSHIP GROWTH

YEAR	TOTAL MEMBERS	NEW MEMBERS	% GROWTH
2010	71,575	4,203	6.2%
2011	77,052	5,477	7.7%
2012	80,165	3,113	4.0%
2013	83,462	3,297	4.1%
<b>2014</b>	<b>86,817</b>	<b>3,355</b>	<b>4.0%</b>

Some of our newer products are gaining member utilization at an even faster rate proving our value to the next generation. Mobile banking users outpaced our online banking users ending the year at 41% of our membership. This was further cemented with the adoption of SnapCheck—our mobile checking deposit app—by 17,400 users, a 20% membership penetration.

## CHECKING GROWTH (Share drafts)

YEAR	CHECKING BALANCES	\$ CHANGE	% GROWTH
2010	81,455,000	8,957,000	12.4%
2011	100,568,000	19,113,000	23.5%
2012	122,396,000	21,828,000	21.7%
2013	137,649,000	15,253,000	12.5%
<b>2014</b>	<b>148,377,000</b>	<b>10,728,000</b>	<b>7.8%</b>

Our partnerships provide added value, as well, and help provide solutions for challenging situations. Recently, a member who needed to purchase a car to ensure she and her mother—who was suffering from medical problems—had reliable transportation wrote to tell us how pleased she was with her experience.

“I was looking for a car at a price I could afford, something that was a fit for me considering my personal situation. What an awesome experience – from finding my 2001 Subaru to the financing that worked with my budget. Everyone involved truly cared about me and wanted to find a solution so that I could take care of my mom. I couldn't be happier with how it all worked out!”

Kayce from Hillsboro

Our Platinum Rewards Visa Credit Card stands out from other cards in the country based on our continued recognition of being a fair and ethical credit card. Its robust offering of rewards options also makes it a strong financial value. In 2014, we offered a balance transfer offer to members that had balances elsewhere. It was well received as a number of members took advantage of transferring other card balances to Unitus.

Our members continue to reach out to us on social media, inviting us into their daily lives. We are at nearly 4,200 organic “likes” on Facebook, an increase of 10% over last year. We grew our Twitter followers 24% and our newly launched Instagram account is gaining followers who want to see their community credit union in action.

## TECHNOLOGY GROWTH

YEAR	MOBILE BANKING	eSTATEMENTS	BILL PAY
2012	25%	36%	21%
2013	38%	45%	28%
<b>2014</b>	<b>41%</b>	<b>49%</b>	<b>35%</b>

Lastly, we are proud of the accomplishments in the second year of the Money Quest Financial Challenge. Launched to raise financial literacy and help members make measurable progress toward their personal stated goals, more than 300 members and non-members opted into the 6-week program. A total of 914 challenges were completed. We received numerous comments about the way these challenges helped them take prudent steps to improve their financial habits.

**Why Unitus?** Because valued relationships can also be attributed to our commitment to continuous improvement and innovation. We are continuing our efforts to centralize the loan processing functions to make loan application and fund disbursement easier for our members. To ease the burden of signing up for eStatements, we created a dedicated web page that made it simple and convenient to register. We made program enhancements to our SnapCheck product that improved the check image quality leading to an increase in the check approval ratio and decreasing checks held for review or declined due to poor image

presentation. And, we converted our newsletter to a digital format for easier retrieval and readability by members using electronic devices on the go.

Looking forward to 2015 we are excited about bringing more new services to our members and branches. Instant issue of credit and debit cards is in the works this year which will allow members to get their new cards on the same day they open the account and then activate and use their card the following day. It will also eliminate the 7-10 day wait for a card reissue when one needs to be replaced due to loss or theft.

Other payment and security enhancements planned in 2015 include the implementation of tokenization, which is the substitution of a sensitive piece of data with a non-sensitive equivalent, and the addition of an Apple iPay app, a free e-Wallet application to help members manage their electronic money and credit payments from their Apple devices. We will also be converting our debit/credit cards to EMV technology for stronger security. EMV refers to the “Europay, MasterCard and VISA” global standard being adopted that uses a smart chip on the card to authenticate transactions at POS terminals and ATM machines.

In closing, Unitus was chartered from member necessity, yet today we are prospering because of relevancy. Our dedication to the user experience creates uniqueness and our sense of ‘local’, ‘community’ and the unique needs of our membership creates differentiation from other financial service providers. And as companies become more disconnected from the consumer, become more regionalized and nationalized through mergers, we are reaching and touching more families. Because what we do and how we do it matters.

*Patricia E. Smith*

Patricia E. Smith, CEO/Treasurer



# REPORT OF THE AUDIT COMMITTEE

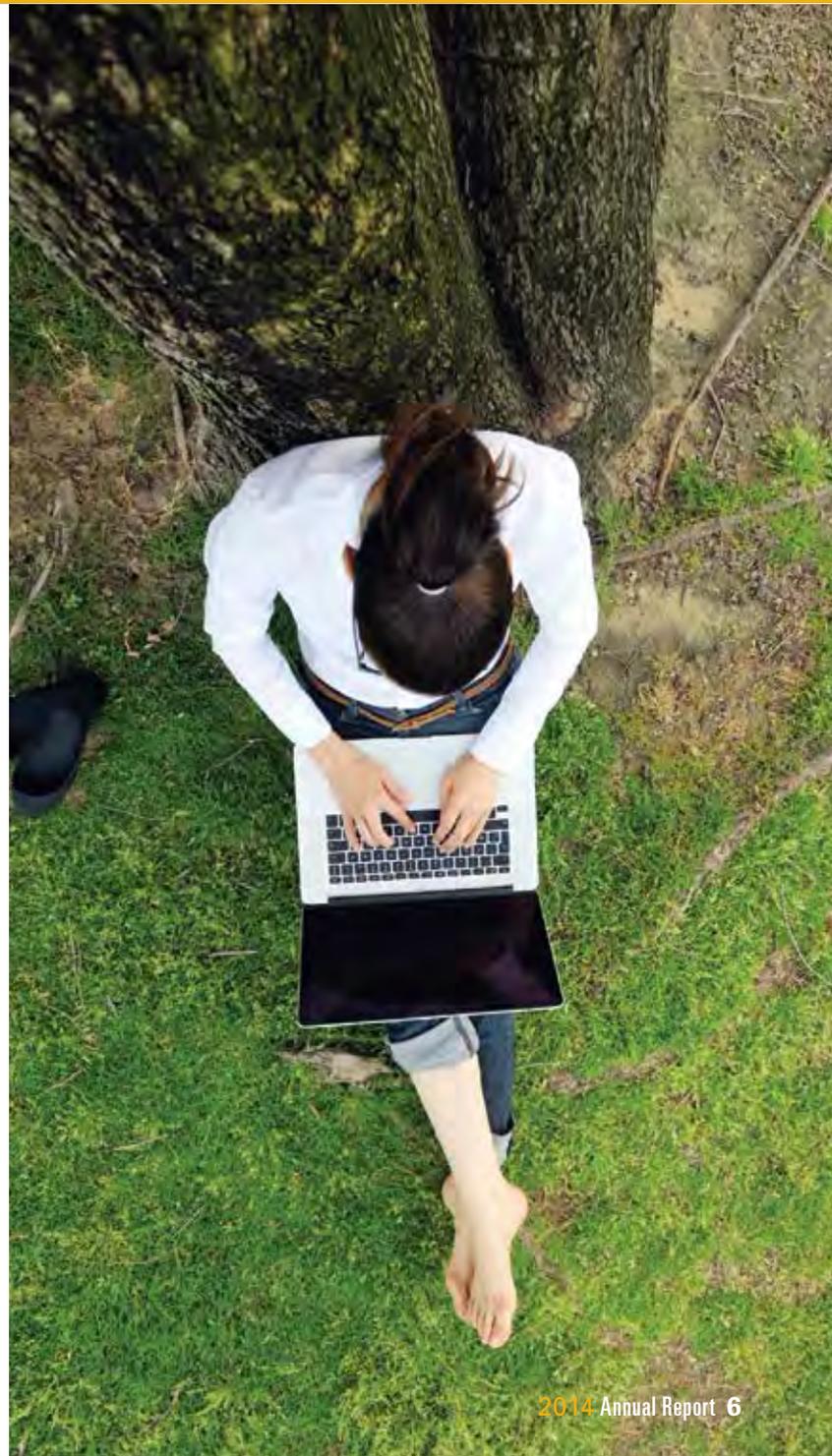
The Audit Committee is made up of five volunteer members appointed by the Board of Directors whose primary responsibilities are to obtain services of an audit firm to complete an annual report on the financial condition of the Credit Union, coordinate the verification of member accounts, and monitor 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 consolidated financial statements as a whole. Summarized consolidated financial statements prepared by management have been included in this annual report. In preparing the consolidated 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 2014.



Luke Watson, Chair



# REPORT OF INDEPENDENT AUDITORS

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

The accompanying summary consolidated financial statements, which comprise the summary consolidated statements of financial condition and the related summary consolidated statements of operations, comprehensive income (loss), and changes in members' equity, are derived from the audited consolidated financial statements of Unitus Community Credit Union and Subsidiary (the Credit Union) as of and for the years ended December 31, 2014 and 2013. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated March 2, 2015.

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

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion about whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated 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 consolidated financial statements with the related information in the audited consolidated financial statements from which the summary consolidated financial statements have been derived.

### **Opinion**

In our opinion, the summary consolidated financial statements of the Credit Union as of and for the years ended December 31, 2014 and 2013 referred to above are consistent, in all material respects, with the audited consolidated financial statements from which they have been derived.

Moss Adams LLP  
Portland, Oregon  
March 2, 2015

# CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	December 31,	
	2014	2013
<b>Assets</b>		
Cash and cash equivalents	\$ 73,231,000	\$ 155,382,000
Trading securities, at fair value	—	2,753,000
Investment securities available-for-sale, at fair value	222,431,000	190,505,000
Federal Home Loan Bank stock	3,142,000	3,269,000
Loans receivable, net	606,070,000	556,714,000
Accrued interest receivable	2,760,000	2,705,000
National Credit Union Share Insurance Fund deposit	7,880,000	8,031,000
Property and equipment, net	7,709,000	8,739,000
Other assets	5,125,000	5,123,000
<b>Total assets</b>	<b>\$ 928,348,000</b>	<b>\$ 933,221,000</b>
<b>Liabilities</b>		
Members' share and savings accounts	\$ 811,089,000	\$ 824,322,000
Borrowed funds	15,000,000	15,000,000
Accrued expenses and other liabilities	9,425,000	11,985,000
<b>Total liabilities</b>	<b>835,514,000</b>	<b>851,307,000</b>
<b>Members' Equity</b>		
Regular reserves	23,423,000	23,423,000
Undivided earnings	66,045,000	60,640,000
Accumulated comprehensive income (loss)	3,366,000	(2,149,000)
<b>Total members' equity</b>	<b>92,834,000</b>	<b>81,914,000</b>
<b>Total liabilities and members' equity</b>	<b>\$ 928,348,000</b>	<b>\$ 933,221,000</b>

# CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended December 31,	
	2014	2013
Interest Income		
Loans receivable	\$ 24,263,000	\$ 23,939,000
Investment securities and cash equivalents	4,396,000	6,109,000
Total interest income	28,659,000	30,048,000
Interest Expense		
Dividends on members' share accounts	3,190,000	5,933,000
Borrowed funds	538,000	539,000
Total interest expense	3,728,000	6,472,000
Net Interest Income	24,931,000	23,576,000
Provision for loan losses	2,741,000	1,818,000
Net interest income after provision for loan losses	22,190,000	21,758,000
Non-Interest Income		
Service charges and fees	12,916,000	12,523,000
Mortgage banking and loan servicing income	3,034,000	4,003,000
Loss on investment securities		
(Loss) gain on sale of investment securities, trading	(19,000)	267,000
Realized gain on transfer of available-for-sale investment securities to trading securities	—	727,000
Loss on sale of investment securities, available-for-sale	(15,000)	(268,000)
Other-than-temporary impairment	(285,000)	(4,021,000)
Total loss on investment securities, net	(319,000)	(3,295,000)
Other non-interest income (loss)	110,000	(11,000)
Total non-interest income	15,741,000	13,220,000
Non-Interest Expense		
Compensation and benefits	17,721,000	17,422,000
General and administrative	14,805,000	17,521,000
National Credit Union Administration assessments	—	642,000
Total non-interest expense	32,526,000	35,585,000
Net income (loss)	5,405,000	(607,000)
Noncontrolling interest in net loss of subsidiary	—	111,000
Controlling interest in net income (loss)	\$ 5,405,000	\$ (496,000)

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Years Ended December 31,	
	2014	2013
Net Income (Loss)	\$ 5,405,000	\$ (607,000)
Other Comprehensive Income (Loss)		
Unrealized gains (losses) on securities available-for-sale	5,215,000	(7,433,000)
Reclassification adjustment for realized losses included in loss on investment securities	15,000	268,000
Reclassification adjustment for unrealized gains on available-for-sale investment securities realized upon transfer to trading securities	—	727,000
Reclassification adjustment for other-than-temporary impairment realized in loss on investment securities	285,000	4,021,000
Total other comprehensive income (loss)	5,515,000	(2,417,000)
Comprehensive Income (Loss)	\$ 10,920,000	\$ (3,024,000)

# CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

	CONTROLLING INTEREST IN MEMBERS' EQUITY					Noncontrolling Interest in Subsidiary
	Total Members' Equity	Regular Reserves	Undivided Earnings	Accumulated Comprehensive Income (Loss)		
Balance at December 31, 2012	\$ 84,988,000	\$ 23,423,000	\$ 62,027,000	\$ 268,000	\$ (730,000)	
Net loss	(607,000)	—	(496,000)	—	(111,000)	
Purchase of noncontrolling interest in subsidiary	(50,000)	—	(891,000)	—	841,000	
Other comprehensive loss	(2,417,000)	—	—	(2,417,000)	—	
Balance at December 31, 2013	81,914,000	23,423,000	60,640,000	(2,149,000)	—	
Net income	5,405,000	—	5,405,000	—	—	
Other comprehensive income	5,515,000	—	—	5,515,000	—	
Balance at December 31, 2014	\$ 92,834,000	\$ 23,423,000	\$ 66,045,000	\$ 3,366,000	\$ —	



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