



Providence Health System Federal Credit Union

2008 Annual Report

Supervisory Committee Message

The Supervisory Committee represents the membership's interests by ensuring:

- Assets are properly safeguarded;
- Policies and procedures are in place;
- Internal controls are effective;
- Applicable laws and regulations are followed; and
- The Credit Union's financial condition is fairly presented in accordance with generally accepted accounting principles.

The Supervisory Committee engaged the certified public accounting firm of Daren Tanner, PC. to conduct the annual independent audit of the statements of financial condition, related statements of income, changes in members' equity, and cash flows for the period ending June 30, 2008. Based upon the audit conducted, the Supervisory Committee is pleased to report that the financials presented are a fair and accurate assessment of Providence Health System Federal Credit Union's financial position as of June 30, 2008. Not only is the Credit Union financially sound, but it operates within a strong internal control environment that also ensures compliance with applicable laws and regulations.

The Supervisory Committee extends its gratitude to the members, staff, and elected officials of Providence Health System Federal Credit Union. The committee welcomes questions or comments from members at any time. As the Credit Union continues to provide members with a safe and sound financial environment, we look forward to serving you again throughout 2009.

Regis Peregrin, Supervisory Committee Chair
Rebecca Martinson, Committee Member
Roxanne Ross, Committee Member
Bert Sperry, Committee Member

Everyone who is successful must have dreamed of something.

- Maricopa





Our 2008 Community Outreach

It has always been our commitment and dedication to not only help our members with their financial well-being by providing safe and sound products and services, but it has been our passion and social responsibility to support our community: Providence Health and Services, within our communities and within the Credit Union movement both Statewide and on a National level as well as saving our environment. And we will continue our mission in 2009 to financially support and lend a hand with pride and compassion.

In 2008 we aspired our focus to the following:

- **Saving the Environment with free Bill Pay and eStatement** - During June and July we eliminated our Bill Pay fee and offered the service for free. This not only helped save time and money for our members, but also the environment. Plus, we encouraged our members to switch to free eStatements. By reducing the number of checks written, bills sent, trips to the post office and monthly paper statements received we all helped make a positive impact on the environment.
- **Providence Bridge Pedal** - In August we gave away three bikes for this worthy event in hopes of helping others stay active, healthy and prevent heart disease.
- **Providence Mount St. Vincent Foundation** - We were pleased to help sponsor and attend the Legacy Luncheon in Washington, which supports the Mount's commitment to fulfill the promise of the founding Sisters of Providence that no resident be asked to leave for lack of ability to pay.
- **Susan G. Koman Race for the Cure** - We formed a team called the "Pink Ribbon Racers" and joined thousands of other individuals in September to help raise money to fight and end breast cancer.
- **Providence Child Center Foundation** - In November we presented a check for \$8,000 to the Foundation so they may continue their efforts to help our community's most vulnerable children. The funds will be used to help provide the best care, state of the art equipment, and educational programs for the children and their families. Since 1988 we have proudly donated over \$20,000 to the Foundation.
- **Blanchet House** - During the holidays we donated over \$2,000 as well as turkeys and clothing to the Blanchet -- shelter for the less fortunate.
- **Providence ElderPlace** - In December we donated three Nintendo® Wii Game Systems to the Providence Elder Place for their three Oregon locations.



Chairperson's & President's Report

For the last several months we have seen unparalleled challenges to the Nation's financial service industry: the credit crisis, a significant decline in real estate values, the downfall of some major financial institutions, and growing unemployment all combined to create an economic climate not seen since the 1930s. Although Providence Credit Union is not completely immune to the overall economic environment, we have and will continue to manage and operate in the best interest of our members. Thanks to our judicious lending practices and sound financial policies, Providence Credit Union continues to be a strong, safe, and well-capitalized financial institution for health care industry employees and their families.

Members should know we remain committed to our mission, "to provide secure, convenient financial services, in a personal, caring and professional manner." We remain "dedicated to optimizing value to our membership through low-cost financial services and efficiency while planning for sound operational growth." To meet this mission in 2008 we offered cost-savings programs such as free Bill Pay. It's one of the safest, most convenient and cost-effective ways to pay your bills. In addition, we launched a 7.99% APR fixed rate balance transfer program on our Visa Classic Card, promoted a 0% auto loan rate campaign as well as continuously gave our membership a place to earn higher returns on their money. To help our members with their debts, budgeting, financial planning, etc, we hired Beardmore Consultant Services. It's a free service we offer to our membership to help them better organize and plan their financial futures.

Furthermore, we introduced our Winter Loan program which offered a low rate of just 6.49% APR. Members could borrow up to \$3,000 with up to 12 months to repay. Plus, to improve access to member accounts, we installed new ATMs in Renton, WA and at the Cancer Center at Portland Providence Medical Center in Portland, OR. And, finally, at the end of the year we rewarded our membership who had at least \$5 in their Regular Savings, New Age or Prime Time Accounts by tripling their dividend rate for the month of December.

Despite the turbulent economic climate we ended 2008 successfully. With over 11,140 members, nearly \$80 million in assets (an increase of nearly \$9 million from 2007), and a capital ratio of 15.06%, Providence Credit Union continues to be positioned as a financially strong and vibrant financial institution.

New and exciting changes will continue in 2009 to help generate membership growth, including the re-branding of Providence Credit Union, offering Business Services, and launching a Kids Savings Club Program. Look for free financial and mortgage seminars from the Credit Union as well as other free services and programs to help you through in 2009.

There's no question our nation is experiencing serious economic challenges right now and many people are concerned about the future. Please take comfort in the knowledge that Providence Credit Union has built an exceptional management team and together with the Board of Directors, your entire team is monitoring the economic situation and adjusting to the changes as necessary.

Nothing is worth more than this day..

- Goethe



We would like to thank our Board of Directors and Committee members for their help and support over the past year. We are fortunate to have them generously volunteer their time and provide us their extensive business and community expertise. We would also like to acknowledge the dedication and commitment of the management team and all of our exceptional employees as they work diligently to ensure Providence Credit Union meets the expectations of its members. And, lastly, but certainly not least, we thank you for your continued support, loyalty and confidence. We are committed to building life-long relationships and will be there to assist you in these turbulent financial times.

We'll face additional challenges in 2009, but you can confidently turn to Providence Credit Union to be there for you – as we have for the last 46 years.

| **Mary Savage**, Chairperson
| **Shirley Cate**, President/CEO

Statements of Income

	As of December 31, XX	
	2008	2007
Total Loan Income	\$2,270,750	\$2,872,338
Total Investment Income	<u>880,318</u>	<u>1,016,104</u>
Total Income	<u>\$4,151,068</u>	<u>\$3,888,442</u>
Interest on Deposits	\$1,526,806	\$1,558,110
Interest On Borrowed Money	<u>113</u>	<u>94</u>
Total Interest Expense	<u>\$1,526,919</u>	<u>\$1,558,204</u>
Net Interest Income	\$2,624,149	\$2,330,238
Provision For Loan Loss Expense	<u>156,688</u>	<u>34,028</u>
Net Interest Income after Provisions	<u>\$2,467,461</u>	<u>\$2,296,210</u>
Compensation and Benefits	\$1,102,138	\$927,865
Travel, Conference, and Staff Education	51,730	41,850
Association Dues	22,718	19,369
Office Occupancy	97,582	89,138
Office Operations	678,635	686,019
Member Education & Marketing	75,646	56,096
Loan Servicing	76,686	62,406
Outside Services	159,012	138,345
NCUA Operating Fee	17,288	12,556
Cash Over/Short	(806)	(727)
Annual Meeting	0	326
Misc. Operating Exp.	8,739	7,606
Depreciation Expense-Furniture, Fixtures	<u>56,815</u>	<u>147,199</u>
Total Operating Expense	<u>\$2,346,182</u>	<u>\$2,188,048</u>
Fee & Charge Income	\$ 620,000	\$ 554,844
Other Income	86,822	110,149
Income From Share Insurance Fund	<u>0</u>	<u>5,293</u>
Total Other Operating Income	<u>\$ 706,822</u>	<u>\$ 670,286</u>
Gain / (Loss) On Sale Of Investments	\$ 35,521	\$ 0
Total Non-Operating Income	<u>35,521</u>	<u>0</u>
Net Income	<u>\$ 792,580</u>	<u>\$ 778,447</u>



Challenges are what make life interesting, overcoming them is what makes life meaningful.

- Joshua J. Marine

Statements of Financial Conditions

	As of December 31, XX	
	2008	2007
Loans	\$20,631,088	\$21,411,709
VISA Loans	3,040,142	2,841,127
1st Mortgage Loans	9,028,706	6,381,644
All Other Real Estate Loans	16,681,659	16,808,482
Student Loans	4,098	5,379
Loan Participations	<u>1,535,253</u>	<u>2,459,090</u>
Total Loans	<u>\$50,920,946</u>	<u>\$49,932,356</u>
Allowance For Loan Loss	(141,479)	(119,921)
Net Loans Outstanding	<u>\$50,779,468</u>	<u>\$49,812,435</u>
Non-Interest Earning Cash	\$ 1,458,923	\$ 1,135,960
Overnight Investment	<u>7,588,244</u>	<u>3,360,487</u>
Total Cash and Cash Equivalents	<u>\$ 9,047,167</u>	<u>\$ 4,496,447</u>
All Other Investments	<u>\$18,014,741</u>	<u>\$15,831,263</u>
ALL OTHER ASSETS		
Fixed Assets (Net of Depreciation)	\$ 136,390	\$ 136,717
NCUSIF	621,780	574,620
All Other Assets	<u>405,087</u>	<u>426,545</u>
Total Assets	<u>\$79,106,118</u>	<u>\$71,278,027</u>
Accounts Payable	\$ (9,047)	\$ 16,009
Unapplied Data Processing Exceptions	78,663	(180,515)
All Other Liabilities	<u>36,671</u>	<u>56,906</u>
Total Liabilities	<u>\$ 108,287</u>	<u>\$ (107,600)</u>
Minimum Balance Share Account	\$16,199,389	\$14,406,860
Christmas Club Accounts	58,234	62,041
Share Draft Accounts	6,684,832	7,503,978
Certificates	23,741,010	20,889,286
New Age Accounts	285,844	280,658
Prime Time Club Accounts	881,261	666,048
Money Market Accounts	<u>19,261,130</u>	<u>16,494,667</u>
Total Shares	<u>\$67,111,701</u>	<u>\$60,303,538</u>
Regular Reserve	\$ 1,988,775	\$ 1,988,775
Unrealized Gain(Loss) on Investments	(33,130)	(44,591)
Undivided Earnings	<u>9,930,486</u>	<u>9,137,906</u>
Total Equity	<u>\$78,997,831</u>	<u>\$71,385,627</u>
Total Liabilities and Equity	<u>\$79,106,118</u>	<u>\$71,278,027</u>

STAFF

Executive Team

Shirley Cate, President/CEO
Denise Wheeland, VP of Operation
Bill Kearney, VP of Lending
Carolyn Mah, VP of Marketing

Providence Portland Medical Center Branch

Sharon Popp, Operations Supervisor
Christina Doetch, Member Service
Linda Kincaid, Collections
Charles Moore, Member Service
Rebecca Panzica, Loan Officer
Risa Salzman, Member Service
Jodi Wisdom, EFT Specialist

Providence St. Peter Hospital Service Center

Barry Vandenbrink

Providence St. Vincent Medical Center Branch

Crystal Thai, Operations Supervisor
Molly Bishop, Loan Officer
Marjene Freiley, Member Service/Loan Processor
Leo Lee, IT Manager
Shelley Overbay, Member Service
Debbie Pursley, Member Service/Loan Processor
Linda Sterling, Member Service

Business Development

Kay Wagenhofer – Oregon
Barry Vandenbrink – Washington

VOLUNTEERS

Board of Directors

Mary Savage, Chair
Eric Olson, Vice Chair
Gina McGraw, Secretary
Cheryl Eveatt, Director
Rick Sahli, Director
Mike Schwab, Director
Dana White, Director

Supervisory Committee

Regis Peregrin, Committee Chair
Rebecca Martinson, Committee Member
Roxanne Ross, Committee Member
Bert Sperry, Committee Member

BRANCH & SERVICE CENTER LOCATIONS

Providence St. Vincent Medical Center Branch

9205 SW Barnes Rd
Portland, OR 97225
p: (503) 215-6090 + f: (503) 216-2328
Mon - Thurs: 7:30 am - 4 pm
Fri: 9 am - 5 pm

Providence Portland Medical Center Branch

4805 NE Glisan St
Portland, OR 97213
p: (503) 215-6090 + f: (503) 215-6584
Mon - Thurs: 7:30 am - 4 pm
Fri: 9 am - 5 pm

Providence St. Peter Cashless Branch

413 Lilly Rd. NE, Suite 02-031
Olympia, WA 98506
p: (800) 909-7309 + f: (360) 486-6672
Mon & Wed: 7:30 am - 4 pm
Fri: 9:00 am - 5 pm

Providence Milwaukie Service Center

(ATM, Drop Box, Online Banking, Bill Pay Kiosk)
10150 SE 32nd
Milwaukie, OR 97222