

A close-up photograph of a stack of logs, with the focus on the middle section. The logs are stacked horizontally, and the background is blurred. The text is overlaid on the central log.

**HAPO**

**COMMUNITY CREDIT UNION**

58<sup>TH</sup> ANNUAL REPORT 2010

## COMMITMENT TO MEMBERS

Our commitment begins by listening,  
understanding and staying focused  
on meeting your needs. We're  
accountable to you and share in the  
responsibility of helping our members  
create financial strength at HAPO.

## ORDER OF BUSINESS / 58<sup>TH</sup> ANNUAL MEETING

**WEDNESDAY, APRIL 20<sup>TH</sup>, 2011**

- 1. Call to Order – Mike Young**
- 2. Reading of Minutes, 57<sup>th</sup> Annual Meeting – Ken Bays**
- 3. Chairman's Message – Mike Young**
- 4. President's Message – David Schulz**
- 5. Supervisory Committee Report – Darrel Stafek**
- 6. Unfinished Business – Mike Young**
- 7. New Business – Mike Young**
  - A. Other New Business**
- 8. Door Prize Drawing – Cathy Clark & Bernadette Clapper**



CORPORATE HEADQUARTERS RENOVATION UPDATE

# Introducing the NEW HAPO!

In June of 2010 we began renovation of our Richland Financial Center and Corporate Headquarters Building. The project is right on schedule and is expected to be complete in June of this year.

Our existing building was built in 1978, when we had 18,000 members and 22 employees. When we started the renovation we had over 82,000 members and 230 employees. We had outgrown our space and technology. Keeping our location in Richland and uninterrupted ties to our membership was extremely important to us, which is why we chose renovating over relocating.

We were very pleased that the branch remained open through the entire renovation process. While the construction made things a little different, we were able to continue serving our members every day. We appreciate the patience and understanding that our members showed during this project.

Our staff also showed great patience during construction. Every day was interesting as things changed rapidly. We moved some departments off-site and shifted others around as the construction progressed throughout our building. Several departments moved multiple times as old spaces were demolished and new spaces were built.

If you have not been in the branch in a while, we invite you to come see the changes for yourself. We now offer a walk up ATM outside the front door, and a comfortable waiting area with a fireplace. Our staff is able to help members more efficiently due to the new design. Once the branch is complete in June we will host a grand re-opening and we encourage all our members to come see the "new" HAPO.

**Thank you** for your patience and support of this project!



# HAVE A HOT HAPO SUMMER

## HAPO IS THE OFFICIAL SPONSOR OF Summer

2010 was our second year as the "Official Sponsor of Summer." We expanded on the success of this campaign in the Tri-Cities from the year before and increased our sponsorships to include community events in Yakima and Sunnyside.

In 2008 we realized that we were sponsoring a large number of community events during the summer months. We decided to package those events together to create stronger recognition for HAPO. In 2009 that idea blossomed into us becoming the "Official Sponsor of Summer."

In 2010 we had a new opportunity to develop our campaign further when two of the major events' co-sponsors were lost and we were able to step up and become the sole title sponsor for those events; Live @ 5 and Cool Desert Nights. This move increased HAPO's recognition and helped the events continue to grow and be enjoyed by our community. We were also able to save the Sunnyside fireworks show in 2010 after being canceled in 2009. Other events that we added to our summer sponsorships included: the Hot Shots 3 on 3 basketball tournament and the Vintiques car show in Yakima, and the National Night Out in Sunnyside. Several other events that we had participated in became part of our "Official Sponsorship of Summer" as well.

HAPO's generous sponsorships provide quality events for families. They also provide great opportunities for our staff to be more involved in the community, as well as good recognition for HAPO. While the summer events are a lot of fun, we also partner with local organizations throughout the year to improve the quality of life in our communities. In 2010 we sponsored or partnered with the following organizations and events:

### COMMUNITY

- 2nd Harvest
- Benton Franklin County Fair
- Cinco de Mayo-Sunnyside
- Circle of Hope
- First Night Tri-Cities
- Habitat for Humanity
- Hot Shots 3 on 3 Tournament-Yakima
- Kadlec Foundation  
– Golf Tournament  
– Kadlec for Kids-a-thon
- KNDU Coats for Kids
- KNDU Family Food Drive
- Live @ 5 Summer Concert Series
- March of Dimes
- National Night Out-Sunnyside
- Operation Thank You
- Red Cross  
– Real Heroes Breakfast  
– 12 Days of Giving
- Richland Players
- SIGN Benefit
- Sunnyside Fireworks Show
- The Chaplaincy
- Tri-Cities Cancer Center
- Tri-Cities Regional Chamber of Commerce  
– Cool Desert Nights  
– River of Fire Festival

- Tri-City Water Follies
- Tri-City Food Bank  
– Show 'n' Shine for Hunger
- VFW Holiday Dinners
- Vintiques-Yakima
- Yakima Greenway's Gap 2 Gap

### SCHOLARSHIPS FOR STUDENTS

- AAAS
- HAAP
- WSU

### CHILDREN'S EVENTS AND INVOLVEMENT

- ARC
- Boys and Girls Club
- Children's Developmental Center
- Enterprise Week-Pasco School District
- Every 15 Minutes Program-Richland and Kennewick High Schools
- Junior Achievement
- Special Olympics

### BUILDING FUNDS

- Kadlec Regional Medical Center NICU
- Sunnyside Memorial Hospital
- Yakima Medical School

## FINANCIAL STATEMENTS

### COMPARATIVE BALANCE SHEETS

As of December 31, 2010 & 2009

#### ASSETS

	2010	2009
Cash and Cash Equivalents .....	\$33,647,042	\$24,771,554
Investments – Net .....	355,567	410,504
Loans to Members – Net .....	759,740,263	665,585,981
NCUSIF Deposit .....	6,900,050	5,924,739
Land and Buildings – Net of Depreciation .....	26,922,436	21,741,188
Furniture & Equipment – Net of Depreciation .....	5,406,263	4,657,988
Other Assets .....	12,574,872	8,869,542
<b>TOTAL ASSETS</b> .....	<b>\$845,546,493</b>	<b>\$731,961,496</b>

#### LIABILITIES & MEMBERS' EQUITY

##### Liabilities

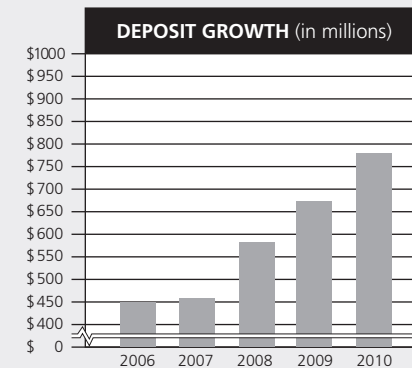
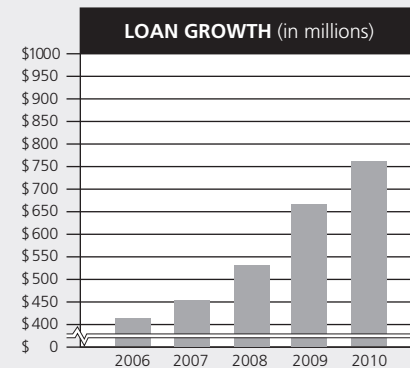
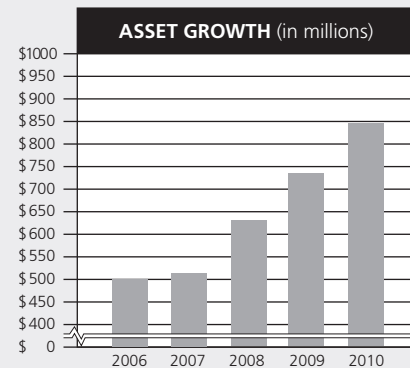
Accrued and Other Liabilities .....	\$10,915,126	\$10,688,116
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##### Member deposits

Savings Accounts .....	152,570,769	130,121,913
Checking Accounts .....	88,843,560	80,232,137
Money Market Accounts .....	191,392,152	149,872,797
Certificates of Deposit .....	331,643,434	299,136,288
IRA Accounts .....	13,484,856	14,861,160
<b>777,934,771</b>	<b>674,224,295</b>	

<b>Members' Equity</b> .....	<b>56,696,596</b>	<b>47,049,085</b>
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<b>TOTAL LIABILITIES &amp; MEMBERS' EQUITY</b> .....	<b>\$845,546,493</b>	<b>\$731,961,496</b>
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### STATEMENTS OF OPERATION

For the years ended December 31, 2010 & 2009

#### OPERATING INCOME

	2010	2009
Interest on Member Loans .....	\$42,756,367	\$37,665,772
Income from Investments .....	27,194	404,571
Member Dividends .....	(8,869,904)	(10,323,714)
Interest on Borrowed Funds .....	(10,839)	(51,823)
<b>Net Interest Income</b> .....	<b>33,902,818</b>	<b>27,694,806</b>
Provision for Loan Losses .....	(5,007,974)	(7,567,262)
Other Operating Income .....	11,687,333	11,161,055
<b>Total Operating Income</b> .....	<b>40,582,177</b>	<b>31,288,599</b>

#### OPERATING EXPENSES

Employee Compensation, Benefits and Taxes .....	15,350,238	13,078,022
Office Occupancy .....	1,821,705	1,533,008
Office Operations .....	6,123,510	5,492,532
Marketing and Community Giving .....	920,250	742,883
Loan Servicing .....	1,661,262	1,522,055
Professional / Outside Services .....	1,106,912	579,790
Other Operating Expenses .....	872,152	881,663
<b>Total Operating Expenses</b> .....	<b>27,856,029</b>	<b>23,829,953</b>
<b>Net Operating Income</b> .....	<b>12,726,148</b>	<b>7,458,646</b>

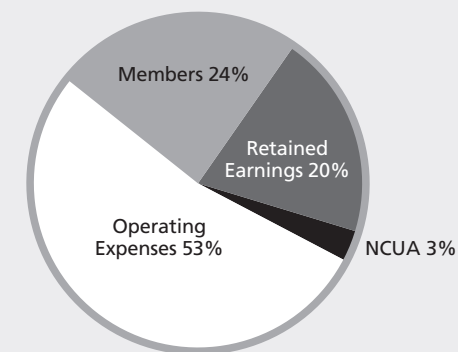
<b>NON-OPERATING INCOME</b> .....	<b>45,882</b>	<b>66,396</b>
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<b>NET INCOME</b> Before NCUA Corporate Stabilization Charges .....	<b>\$12,772,030</b>	<b>\$7,525,042</b>
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NCUA Charges .....	(1,762,698)	(888,710)
WesCorp Capital Impairment .....	0	(3,123,543)

<b>NET INCOME</b> After NCUA Corporate Stabilization Charges .....	<b>\$11,009,332</b>	<b>\$3,512,789</b>
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#### DISTRIBUTION OF 2010 INCOME



\* The accompanying financial statements are unaudited.

## MINUTES OF THE 57<sup>TH</sup> ANNUAL MEETING

### APRIL 21<sup>ST</sup>, 2010

The 57th Annual Meeting of HAPO Community Credit Union was called to order by Chairman of the Board, Mike Young at 7:00 p.m., Wednesday, April 21, 2010, in Richland High School's cafeteria. There were 47 members and 2 guests present.

Chairman Young asked if there were any corrections to be made to the minutes of the 56th Annual Meeting. As there were no corrections, it was moved and seconded to dispense with the reading of the minutes and to accept them as printed. The motion carried.

Mr. Young introduced the Board of Directors.

Board Chairman Mike Young said that as volunteers, the Board of Directors' job is to work with the Executive team to ensure HAPO Community Credit Union continues to be safe and sound. In 2009 HAPO had record earnings and ended the year strongly. HAPO has added financial centers in the last year and continues to grow when it makes sense. HAPO has a strong presence in the community and continues to do a great job of that. HAPO continues to be the main sponsor of the summer, participating in many summer events such as Water Follies, Cool Desert Nights, and The River of Fire Festival.

Mr. Schulz, President and CEO of HAPO Community Credit Union, thanked everyone for attending, and complimented the Board of Directors.

Mr. Schulz gave the President's Message. He said that last year HAPO was safe and sound and continues to be safe and sound. Last month HAPO had the highest earnings ever. Mr. Schulz said that HAPO plans to expand into Oregon and Idaho and to grow when it makes sense.

Mr. Schulz introduced the staff and Executives. Mr. Schulz said that he is proud to lead this organization and to increase services for the members. Mr. Schulz commented that HAPO will keep the same values it has always had.

Darrel Stafek, Chairman of the Supervisory Committee, introduced the members of the Supervisory Committee and gave a brief description of their duties. Mr. Stafek then read the Supervisory Committee Report and the Nominating Committee Report. Mr. Young read the Statement of Nomination and Declaration of General Consent.

Mr. Young asked if there was any unfinished business or new business and there was none. Mr. Young then turned the floor over to Mr. Schulz to answer questions from the members. Mr. Young introduced Cathy Clark and Bernadette Flynn for the drawing of the door prizes.

It was moved and seconded that the meeting be adjourned. The motion carried.

The meeting was adjourned at 7:45 p.m.



**Mike Young**  
Chairman

## CHAIRMAN'S MESSAGE

I am grateful to deliver yet another message of success for HAPO Community Credit Union. The Annual Report details the "black and white" facts and figures of the financial soundness of our credit union but it doesn't necessarily always tell how things are accomplished during the calendar year.

Our continued success starts with the commitment of our voluntary members who make up the Board of Directors. This group is responsible for the general direction of the credit union and with a watchful eye works together with a very talented Executive Management team to make decisions in a manner that is reasonably believed to be in the best interest of our membership as a whole. Finishing 2010 with over \$845 million in credit union assets and record earnings is a continued demonstration of the good faith of our entire management team.

As in any business, there are bills to pay and at HAPO we are no different. But, a credit union's primary purpose is not to seek the biggest possible profit or return on assets (ROA). Credit unions are not-for-profit cooperatives designed to provide financial services to their member-owners. The HAPO management team is always mindful to ask the questions: What financial services do our members need and how do we know this? With regular evaluation the Board and Executive Management continue to ensure HAPO provides quality, low-cost financial services based on members' needs. At the same time, HAPO members benefit by receiving top of the market dividends on their deposit dollars.

In 2010 we began a major renovation of our corporate headquarters building. I'm pleased to report that, at the time of this writing, we

are nearly 100% complete and right on schedule. Equally exciting is seeing our strategic planning fulfilled with the expansion of HAPO into the state of Oregon. Our Hermiston branch will soon be under construction with a scheduled opening for November of this year. Our opportunities for extending our reach beyond the Tri-Cities are always carefully weighed against the existing and potential need of our members and the strategic value of where and when to build.

My report would not be complete without acknowledging and extending gratitude for the fantastic job our entire credit union staff does everyday. Our community has a choice; where they shop and buy things, and where they bank. A low car loan rate may get you to HAPO but having bad service would not keep you here. With over 90,000 individual members, our staff is counted on to provide professional, accurate and timely service everyday to our membership. Staying focused on the member and always striving to meet their needs above and beyond expectations has made 2010 a safe, sound and rewarding year!

On behalf of the Board of Directors, the Executive Management team and staff, I thank you for your membership and continued support of our credit union.

For the Board of Directors,



**Mike Young**  
Chairman



## SUPERVISORY COMMITTEE REPORT

In accordance with the Washington State Credit Union Act and the rules and regulations of the National Credit Union Administration (NCUA), the Supervisory Committee is required to "Perform or arrange for a complete annual audit of the credit union and a verification of members' accounts." To satisfy these requirements the Supervisory Committee contracted with our certified public accounting firm, Moss Adams, LLP, to perform an audit of our financial statements.

As a result of the audit, Moss Adams, LLP issued an Independent Accountants' Report of the credit union's financial statements as of and for the fiscal year ended June 30, 2010. Their report included an unqualified opinion that those financial statements presented fairly, in all material respects, the credit union's financial position as of June 30, 2010 and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Supervisory Committee also approves the annual comprehensive internal audit plan and regularly meets with the credit union's Vice President of Internal Audit regarding the results of the activities of the internal audit department.

The Supervisory Committee is here to serve as the oversight arm of the credit union. Members may contact the Committee confidentially or they may directly contact any of the Committee members.

As Chairman of the Supervisory Committee during 2010, I wish to thank the other Committee members for their many hours of volunteer service during the past year, as well as HAPO's staff and management for their assistance.

Respectfully submitted,



**Darrel Stafek**  
Chairman

## PRESIDENT'S MESSAGE

It is always a gratifying experience to provide the annual report to the membership of HAPO Community Credit Union. Our successes, accomplishments, and financial strength in 2010 continued to establish HAPO as a leader in providing value to our members both in Washington State and the nation as a whole.

I am pleased to announce that during 2010 HAPO members enjoyed some of the highest dividend rates on savings and lowest rates on loans available anywhere. Even with providing the best rates to its members, HAPO Community Credit Union was also able to grow its own retained member capital by a record \$11 million. In simple terms, during 2010 the members did well and the credit union itself did well...a winning combination.

We concluded the year with over \$845 million in credit union assets serving well over 90,000 members in our market areas. These trends of member service, member benefit, and credit union strength, stability, and profitability are poised to continue into the coming years. Indeed, 2011 has started out very well and is setting the stage to be another banner year as well.

The chief contributing factor to HAPO's continued financial strength is our continuing very low loss on member loans. As a whole the concept of HAPO members investing in other HAPO members continues to be the financial formula which most contributes to our strength. HAPO members as a very large percentage pay their loans back on time and in full. Low loan losses enable us to pay high dividends, retain earnings, and keep loan rates low for everybody. The Board of Directors and Executive Management never take this for granted and are extremely grateful to our staff and members for making our simple financial strategy one that is extremely successful. As of the conclusion of 2010 we have over \$765 million out in loans to our membership with very minimal delinquent loans.

Another milestone that came to fruition in 2010 was the approval for HAPO to commence business operations in the state of Oregon. The Board of Directors and Executive Management believes strongly in this market share expansion due to the close proximity of neighboring Umatilla country and its communities. Expanding beyond Washington State lines is a significant indicator that HAPO remains positioned for planned growth. Members can look for additional branch locations in

Walla Walla and Yakima and yet further unannounced locations.

The Board of Directors is methodical in its approach in allowing HAPO to grow. While a financial institution approaching a billion dollars in assets is certainly a formidable financial presence, our Board is determined to not allow HAPO to grow beyond its ability to remain profitable and stable as well as preserving our legacy of quality member service.

Today HAPO remains a 100% consumer oriented financial institution. We strive to provide the very best in things that every day people need to manage the financial aspects of their lives. From financing your home or auto to your credit card, from your retirement planning through your money market management, our focus is about real people and their families. While the day may come when HAPO expands into other less individual consumer markets, that day is not here. Our model of member focus serves us well and serves our individual members well.

At this time I would like to also recognize our dedicated credit union staff. As your President/CEO I am not only blessed with a great Board of Directors and Executive Management team, I am blessed with some of the brightest and most talented people who have chosen to make HAPO their career. From Financial Center Managers to Member Service Specialists and throughout all of HAPO, we have an absolutely dedicated group of individuals trained and ready to assist you. For their outstanding service in 2010 I am very grateful.

The future looks bright for HAPO Community Credit Union in 2011. We intend to continue on with what works for both our members and HAPO itself.

Thank you.

Respectfully submitted,



**David M. Schulz**  
President/CEO



## OFFICIALS

### BOARD OF DIRECTORS

**Mike Young** – Chairman  
**William Tyler** – Vice-Chairman  
**Ken Bays** – Secretary  
**Ken Gale** – Treasurer  
**Pete Carroll** – Director  
**William Tanner** – Director  
**William Clarke** – Director

### SUPERVISORY COMMITTEE

**Darrel Stafek** – Chairman  
**David Beach**  
**Bill Phillips**  
**Roy Renner**

### NOMINATING COMMITTEE

**Darrel Stafek** – Chairman  
**Leonard Davis**  
**Ellen Kukulinski**

### EXECUTIVE STAFF

**David Schulz** – President / CEO  
**Steve Anderson** – EVP / COO  
**John Schnellbach** – SVP / CFO  
**Carolyn O’Niel** – SVP / CTO



## ELEVEN FINANCIAL CENTERS AND GROWING

Located in Richland, Kennewick, Pasco, Sunnyside, Yakima & Walla Walla.

### RICHLAND - MAIN BRANCH

601 Williams Blvd.  
Richland, WA 99354

### PASCO - BY THE AIRPORT

2701 North 20<sup>th</sup> Ave  
Pasco, WA 99301

### RICHLAND - HANFORD

2952 George Washington Way  
Richland, WA 99354

### PASCO - WEST PASCO / RD 68

4902 Road 68  
Pasco, WA 99301

### RICHLAND - MEADOW SPRINGS

631 Gage Blvd.  
Richland, WA 99352

### WALLA WALLA - DOWNTOWN

17 North 2<sup>nd</sup>  
Walla Walla, WA 99362

### KENNEWICK - UNION ST.

4 North Union  
Kennewick, WA 99336

### YAKIMA - CASTLEVALE

903 Seattle Slew Run  
Yakima, WA 98908

### KENNEWICK - SOUTHRIDGE

4851 W. Hildebrand Blvd.  
Kennewick, WA 99336

### YAKIMA - TERRACE HEIGHTS

3001 Stonewood Ct.  
Yakima, WA 98901

### SUNNYSIDE - DOWNTOWN

322 South 6<sup>th</sup> Street  
Sunnyside, WA 98944

### HERMISTON - COMING SOON

1905 N 1st Street  
Hermiston, OR 97838

### MAIN LINE

509.943.5676

### MORTGAGE DIVISION

509.946.2044

[www.HAPO.org](http://www.HAPO.org)