

HAPO

70

SEVENTIETH
ANNUAL REPORT

ORDER OF BUSINESS 70TH ANNUAL MEETING

WEDNESDAY, APRIL 26TH, 2023

CALL TO ORDER | KEN HOHENBERG

69TH ANNUAL MEETING MINUTES

AUDIT COMMITTEE REPORT | WILLIAM SARACENO

NOMINATION COMMITTEE REPORT | KEN GALE

UNFINISHED & NEW BUSINESS | KEN HOHENBERG

A MESSAGE FROM HAPO LEADERSHIP | DOLORES BROESKE & KEN HOHENBERG



DEFY EXPECTATIONS



HAPO staff continuing to provide excellent and personalized service in order to meet member needs.

HAPO'S MISSION

Our primary focus is to offer products and services that provide value to our members through all life stages — banking solutions that are easy and convenient. More importantly though is the why behind what we do:

To help empower our members to live free.

Free to enjoy life without financial stress.

Free to live for today while planning for tomorrow.



HAPO employees posing with Grace Kitchen Founder and Directors after a day of volunteering and touring their facilities.

BANK ON COMMUNITY

Strategic Community Partnerships

At HAPO, we strive to create a positive impact on our members and the communities we serve through charitable contributions, building lasting partnerships, as well as volunteerism. As we support organizations in our community, we look beyond the financial and seek true partnerships that allow us to support a cause as well as share the benefits we offer through HAPO membership. Here is a look at our strategic, on-going community partnerships:

HAPO Community Theater

The HAPO Community Theater is located at Columbia Basin College (CBC) and is home to the only planetarium in the Tri-Cities area. Since opening its doors in December of 2012, the Planetarium has served nearly 140,000 visitors between field trips for preK-12 schools, public shows, private events, and events targeted toward CBC students and staff. With the continued support from our visitors, members, and the college, we are sure to touch the lives of many, many more.

HAPO Wing at the Tri-Cities Cancer Center

The Tri-Cities Cancer Center is a premier, world-class organization that provides cancer care to patients and families throughout Southeastern Washington.

With our organization's commitment, in 2022 they were able to provide:

- Support to 160 patients who were unable to pay for their prescription costs
- 200 no-cost mammograms
- Transportation support to 400 patients fighting cancer
- 2 months worth of resources to our community in our Resource Center, including wigs, satin pillowcases, port pillows and other critical items

HAPO Center

The HAPO Center provides people in our region with more access to conferences, events and trade shows, but also supports banking access for attendees by way of conveniently located ATMs at the venue. Last year the HAPO Center was in the process of fully reopening, but still saw an estimated attendance of over 70,000 people between trade shows, company events, and tournaments. We look forward to this continuing partnership and bringing events to more people in the community this year.

HAPO Hangout

In 2018, HAPO collaborated with the Toyota Center to bring the HAPO Hangout to event goers at the Toyota Center. Located on the second floor, the HAPO Hangout serves as a welcoming retreat for guests to do exactly what the name suggests- to hang out! In 2022, the Toyota Center hosted over 60 events and saw nearly 285,000 people in attendance.



BANK WITH PURPOSE



HAPO teamed up with other local credit unions for International Credit Union day to create a welcoming space for the people at The ARC of Tri-Cities.

BANK ON COMMUNITY 2022 WRAP-UP



32,500+

family meals
provided in
our communities



450

\$25 grocery gift cards
distributed to
those in need



1700+

school supply kits
distributed to
school-age kids



\$50,000

in scholarships
awarded to
local students

\$641,750

in sponsorships given
to different organizations
in our local communities

\$213,500

donated to nonprofit
organizations in the
communities we serve



500+

school backpacks
donated to kids
in need



1,100+

volunteer hours
donated by
HAPO employees



1,500

youth reached
through our financial
literacy program



100

hours taught
by HAPO's Financial
Education team



DOING WHAT'S RIGHT



The HAPO team posing with Santa during our December to Remember event, where we grant holiday wishes to local families in need.

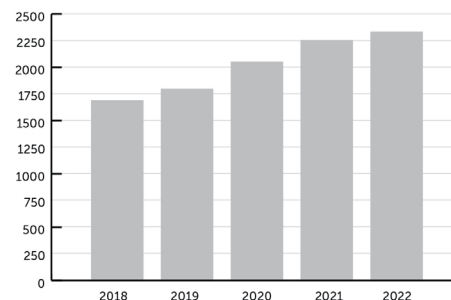
FINANCIAL STATEMENTS

COMPARATIVE BALANCE SHEETS (UNAUDITED)

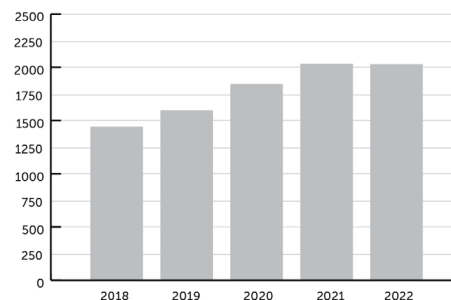
As of December 31, 2022 and 2021.

	2022	2021
ASSETS		
Cash & Cash Equivalents	\$217,658,611	\$332,906,460
Investments – Net	10,990,166	59,231,342
Loans to Members – Net	1,932,892,047	1,725,300,535
NCUSIF Deposit	19,315,826	18,405,969
Land and Buildings – Net of Depreciation	55,648,407	56,562,236
Furniture and Equipment – Net of Depreciation	8,527,066	9,939,823
Other Assets	90,380,430	53,275,871
Total Assets	\$2,335,412,553	\$2,255,622,236
LIABILITIES, DEPOSITS & MEMBERS' EQUITY		
Liabilities		
Borrowed Funds	\$70,000,000	\$25,000,000
Accrued and Other Liabilities	39,405,184	33,751,064
	109,405,184	58,751,064
Member Deposits		
Savings Accounts	840,950,613	790,736,278
Checking Accounts	435,000,263	405,095,687
Money Market Accounts	345,619,079	369,178,785
Certificates of Deposit	360,952,913	435,733,925
IRA Accounts	45,338,553	32,286,363
	2,027,861,421	2,033,031,038
Members' Equity		
Retained Earnings	207,340,580	187,144,251
Other Comprehensive Income (Loss)	(9,194,632)	(23,304,117)
	198,145,948	163,840,134
Total Liabilities & Members' Equity	\$2,335,412,553	\$2,255,622,236

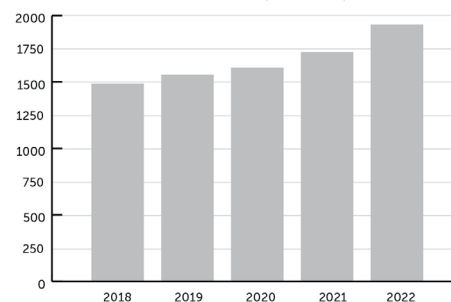
ASSETS (in millions)



MEMBER DEPOSITS (in millions)



MEMBER LOANS (in millions)

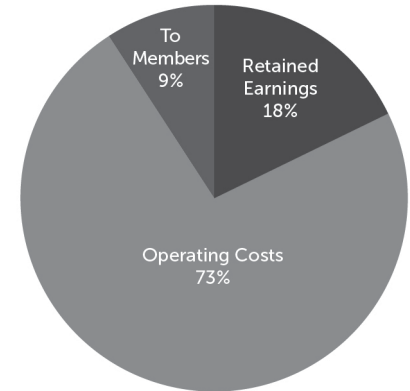


STATEMENTS OF OPERATION (UNAUDITED)

For the years ended December 31, 2022 and 2021.

	2022	2021
OPERATING INCOME		
Interest on Member Loans	\$76,714,742	\$ 71,708,832
Income from Investments	4,212,247	579,762
Interest on Deposits	(6,120,395)	(7,894,083)
Interest on Borrowed Funds	(1,277,129)	(575,412)
Net Interest Income	73,529,465	63,819,099
Provision for Loan Losses	(6,301,658)	(5,706,896)
Other Operating Income	37,962,078	36,368,688
Total Operating Income	105,189,885	94,480,891
OPERATING EXPENSES		
Employee Costs	43,280,557	41,729,042
Facilities Costs	3,105,365	3,174,508
Operational Costs	22,141,301	20,143,521
Marketing and Community Giving	1,937,466	1,699,594
Loan Servicing	4,763,141	4,348,606
Professional/Outside Services	2,965,853	2,571,457
Other Operating Expenses	2,003,758	1,347,785
Total Operating Expenses	80,197,441	75,014,513
Net Operating Income	24,992,444	19,466,378
NON-OPERATING INCOME [LOSS]	[4,796,115]	392,821
NET INCOME	\$20,196,329	\$19,859,199

DISTRIBUTION OF 2022 INCOME



* The accompanying financial statements are unaudited

DISCLOSURE: BOARD OF DIRECTORS AND AUDIT COMMITTEE COMPENSATION SCHEDULE

As permitted by law and the Credit Union's Bylaws, HAPO provides reasonable compensation to the Board of Directors and Audit Committee for their service to the Credit Union. An annual stipend is payable in quarterly installments in recognition of the education and time requirements that are necessary and expected of Board members, who set the general direction and control of the Credit Union and Audit Committee members who provide oversight regarding the safety and soundness of the Credit Union.

As required by law, the members of the Credit Union shall be informed of the compensation provided to Directors and Audit Committee members.

The annual stipend ranges between \$20,000 and \$28,000 for Board Members and is based on leadership positions held. The Annual Stipend for Audit Committee Members not serving on the board is \$8,000.

Director and Board Chair	\$28,000	Director	\$20,000
Director and Vice Chair	\$22,000	Audit Committee Member	\$8,000
Director and Board Secretary	\$22,000	Director Serving on the Audit Committee	\$4,000
Director and Treasurer	\$22,000	Audit Committee Chair	\$2,000

Board Compensation: Paid in 2022

Ken Hohenberg	\$26,000
William Tanner	\$23,000
Rich Cummins	\$20,000
Ken Gale	\$20,000
William Saraceno	\$23,000
Bill Clarke	\$19,000
Doug Carl	\$7,000

Board Compensation: Schedule for 2023

Ken Hohenberg	\$28,000
William Tanner	\$26,000
Rich Cummins	\$22,000
Ken Gale	\$22,000
William Saraceno	\$26,000
Bill Clarke	\$20,000
Doug Carl	\$8,000

MINUTES OF THE 69TH ANNUAL MEETING

Wednesday, April 27, 2022

Call to Order and Welcome

Board Chairman, Bill Tanner called the meeting to order at 5:00 pm. He declared a quorum present under article 3, section 4 of the Bylaws and welcomed those in attendance.

A motion was made and seconded from amongst the membership present to approve the 2021 Annual Membership Meeting Minutes as presented. The motion was passed and accepted via the Zoom teleconference poll feature. 39 votes for approval and 0 votes against.

Chairman's Report

Chairman Tanner welcomed our members to the Annual Membership Meeting. Chairman Tanner noted that this past year presented many challenges, which have been mitigated by our dedicated staff who resolve these issues and anticipate future problems. This has allowed our organization to prosper and continue to meet our member's needs. HAPO is a healthy and well-run credit union because we strongly believe in our organization, our people, and our membership. There have been many high points as well focusing on the success of our employees and exceeding expectations during trying times. The credit union has continued to support and enhance our community where we live and work.

Chairman Tanner took this opportunity to recognize those who serve on the Board of Directors for their dedication to the organization. Vice Chairman, Ken Hohenberg; Secretary, Rich Cummins; and Director, Bill Saraceno were in attendance. Treasurer, Ken Gale and Director, Bill Clarke were unable to be present due to extenuating circumstances.

Audit Committee Report

Chairman Tanner introduced Chairman of the Audit Committee, Bill Saraceno, who introduced the other members

of the Audit Committee, Ken Hohenberg and Doug Carl. Chairman Saraceno also recognized Internal Audit Manager, Tim Noggles and the Audit Department who make our jobs meaningful and for completing the responsibilities we have to our members.

In accordance with the Washington State Credit Union Act and the rules and regulations of the National Credit Union Administration, the Audit Committee is required to arrange for an independent financial audit annually and a verification of member accounts bi-annually. To satisfy these requirements, the Audit Committee contracted with the certified public accounting firm Moss Adams, LLP, to perform these services. As a result of the FYE June 30, 2021 audit, an independent accounts report was issued providing HAPO with an 'unqualified opinion' indicating the credit union's Financial Statements were presented fairly and in all material respects. The credit union's financial position as of June 30, 2021 and the results of the operations cash flows for the year were reported in accordance with the Generally Accepted Accounting Principles of the United States. Moss Adams also issued an independent accounting report detailing the procedures they performed and the results of these procedures regarding the member verification process.

The Audit Committee is also required to monitor internal controls over financial reporting and internal controls established to safeguard our member's assets. To meet these requirements, the Audit Committee approves the annual comprehensive Internal Audit Plan and regularly meets with the credit union's Internal Audit Manager regarding the results of the activities of the Internal Audit Department. The Audit Committee serves as the oversight arm of the credit union and members may contact the committee confidentially with their concerns. Mr. Saraceno thanked the members of the Audit Committee for their many hours of volunteer service, as well as HAPO staff and management for their assistance.



WE GOT YOUR BACK

Nominating Committee Report

Chairman Tanner introduced Chairman of the Nominating Committee, Rich Cummins, who introduced other members of the Nominating Committee, Ken Gale and HAPO member, Steve Dean.

The Nominating Committee met virtually on December 27th, 2021 to discuss the upcoming nominations for Mr. Hohenberg, who is up for re-election for renewed terms on the Board of Directors. The Nominating Committee met a second time virtually on February 2nd, 2022 and determined the nominee is well qualified and approved to serve an additional term.

Based on the credit union's Bylaws, Mr. Cummins moved, and Mr. Saraceno seconded a motion to accept the recommendations from the Nominating Committee as presented. The motion was passed and accepted via the Zoom teleconference poll feature. 46 votes for approval and 0 votes against.

Unfinished and New Business

Chairman Tanner noted there was no unfinished or new business to discuss at this time.

President's Message

Chairman Tanner introduced President/CEO Dolores Broeske on April 1st, 2020, just as COVID swept the world and she stepped in to make changes to mitigate the disruptions created by the pandemic. Mrs. Broeske and staff are able to constantly pivot, which is imperative in today's credit union world. Dolores continues to take steps to ensure those who are a part of the HAPO family are taken care of during trying times to ensure members are served at the highest level.

President/CEO Broeske expressed gratitude to the members present, thanked the credit union's Marketing Team for their

work behind the scenes on organizing the credit union's third Annual Membership Meeting in a virtual format.

Last year was a great financial year for the credit union. The year was not without its challenges as we were working through the pandemic and we did not waiver on our mission and purpose to ensure members have easy access to their accounts through all of our digital channels, call center, and in-person at one of our financial centers. As part of our services and support to members through our lending service we offer many different loans including new and used auto loans, as well as mortgage loans in this historically low-rate environment. Additionally, lending money to our local businesses through our Commercial Lending Department. We value the opportunity to support our businesses and members to ensure the community thrives and prospers. We are committed to doing our part to help members be financially well.

Operating through unprecedented times may have become a bit of a routine throughout the pandemic; however, the credit union maintained an all-hands-on deck approach focusing on defying expectations with the service we provided. We upheld our People Helping People philosophy at all times. She recognized credit union employees for their commitment to serve our members and each other. It's through each one of them and their unique skills, abilities, and personalities that we can operate our organization under a set of values aimed at being a meaningful purposeful brand and is a valuable part of the community. Our purpose and mission is to assist members through the good times, as well as challenging times. As we move forward into 2022 and beyond, we will continue to make prudent financial decisions, which allows us to continue offering members the credit union difference by bringing value through free and low-cost services through relevant

Continued on page 14

MEETING MINUTES CONT.

banking options while protecting confidential information. President/CEO Broeske thanked the Board of Directors for acting in the best interest of the credit union. Additionally, thanked the Audit Committee for providing oversight and ensuring adequate financial reporting. Furthermore, thanked credit union employees for their unwavering dedication to serving members. Lastly, thanked the membership for the opportunity to serve them and for attending the annual meeting.

Question and Answer Period

Meeting attendees were instructed to submit any questions and comments through the member feedback portal on hapo.org. Attendees were informed that all submissions would be reviewed and responded to by appropriate credit union personnel by the end of the week.

Adjournment

Mr. Hohenberg moved, and Mr. Cummins seconded a motion to close the 69th Annual Membership Meeting at 5:18pm. The motion was passed and accepted via the Zoom teleconference poll feature. 50 votes for approval and 0 votes against.



Ken Hohenberg
Vice Chairman



Rich Cummins
Secretary

AUDIT COMMITTEE REPORT

APRIL 2023

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

As a result of their 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, 2022. Their report included an unqualified opinion stating those financial statements presented fairly, in all material respects, the credit union's financial position as of June 30, 2022 and the results of its operations and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

The Audit Committee is also required to monitor the internal controls established to safeguard members' assets along with the internal controls over financial reporting. To meet these requirements the Audit Committee approves the annual comprehensive internal audit plan and regularly meets with the credit union's Internal Audit Manager regarding the results of the activities of the Internal Audit Department.

The Audit 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 Audit Committee, I want 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.



William Saraceno
Chairman



BE IN THE MOMENT



A great view of the HAPO Stage from our Mobile Branch during the weekly spring/summer community event Live@5.

A MESSAGE FROM HAPO LEADERSHIP

2022 was a challenging year yet again with the lingering impacts of the global pandemic, anticipated and realized effects of the looming recession, fed rate hikes, national inflation, supply chain issues, affordable housing concerns and so forth. The good news is that 2022 was a successful year for HAPO, recognized on the financial report. We experienced growth and a positive financial bottom line. We continued to experience low delinquency rates and worked diligently to offer real solutions for our members.

We can say with pride that HAPO manages through safe, sound, and ethical practices. It is through strong business strategies and a set of core values that we continue to serve all aspects of our community. This includes competitive consumer lending, in-house mortgage lending, supporting our locally owned businesses and through serving over 211k members at one of our nineteen branch locations, over the phone, via online chat, or through any of our secure digital channels throughout Washington and Oregon State. Securing our systems, guarding your privacy, and protecting your personal information is and will remain a top priority.

We are excited and honored to be entering and celebrating our 70th year in business. Our years of successfully running and growing the credit union would not be possible without YOU – our members and the purpose of our work. I want to personally thank you for your membership and for choosing HAPO. We understand that you have choices when it comes to your banking, and we want you to know that it is our honor to serve you. We remain committed to providing you with relevant, convenient, safe, and secure banking solutions; products and services that support you, and your loved ones through all life stages.

Financial education and being both active and present in the communities we serve remain core values at HAPO. Additionally, we are committed to investing in our employees and our organizational culture which allows us to successfully execute strategic business initiatives and continue to be your credit union of choice and employer of choice. We believe intentional connections with you, our employees, and community is what allows us to continue to grow and will allow us to remain relevant into the future.

As your member-owned, not-for-profit financial cooperative, HAPO will continue to provide value through the highest level of security, convenience, and personalized financial services. We are here to be a financial guide; offering tools, and education geared to help our members save and use credit wisely. Our membership can rely on sound fiscal management and continued growth, and our employees can rely on a challenging and rewarding career and culture of belonging. We can say with confidence that our commitment to “people helping people” is stronger than ever. Through our exceptional employees and strong organizational culture, we pledge to stay true to our brand promise...“We do right by you.”

On behalf of all of us at HAPO and the Board of Directors, we want to express our sincerest gratitude to you, our members, for your trust, your loyalty, and continued support. It is our honor to serve you. Thank you for your membership.

Sincerely,



 **Dolores Broeske**
President/CEO



 **Ken Hohenberg**
Chairman



DEFY EXPECTATIONS



President/CEO Dolores Broske talking with attendees at the Annual Women in Business conference.

OFFICIALS

BOARD OF DIRECTORS

Ken Hohenberg | Chairman
William Tanner | Vice Chairman
Rich Cummins | Secretary
Ken Gale | Treasurer
William Clarke | Director
William Saraceno | Director

AUDIT COMMITTEE

William Saraceno | Chairman
William Tanner | Member
Doug Carl | Member

NOMINATING COMMITTEE

William Tanner | Chairman
Ken Gale
Steve Dean

EXECUTIVE STAFF

Dolores Broeske | President/Chief Executive Officer
Scott Mitchell | Executive Vice President/Chief Financial Officer
Ruby Campos | Senior Vice President/Chief Operations Officer
Jessica Gaudreault | Senior Vice President/Chief Risk Officer
Marcus Hall | Senior Vice President/Chief Lending Officer
Ashley Ward | Senior Vice President/Chief Information Officer
Carolyn O'Niel | 46 years of service, retired Dec. 2022





HAPO's I'M POWER event links local women in leadership with the goal of providing a platform to inspire, encourage, and connect.

WASHINGTON

RICHLAND

HAPO HEADQUARTERS
601 Williams Blvd.
Richland, WA 99354

MEADOW SPRINGS
631 Gage Blvd.
Richland, WA 99352

QUEENSGATE
3034 Dupontail St.
Richland, WA 99352

KENNEWICK

NORTH UNION ST.
4 North Union
Kennewick, WA 99336

SOUTHRIDGE
4851 W. Hildebrand Blvd.
Kennewick, WA 99336

HAPO BUSINESS COMPLEX
7601 W. Clearwater Ave.
Kennewick, WA 99336

PASCO

NORTH 20TH AVE. / AIRPORT
2701 North 20th Ave.
Pasco, WA 99301

WEST PASCO / RD 68
4902 Road 68
Pasco, WA 99301

OREGON

HERMISTON

NORTH 1ST ST.
1905 N. 1st Street
Hermiston, OR 97838

EAST CORNELL PLACE
(DRIVE THROUGH)
175 East Cornell Place
Hermiston, OR 97838

WALLA WALLA

COLLEGE PLACE
2376 Taumaron Rd.
College Place, WA 99324

EASTGATE
1850 E. Isaacs Ave.
Walla Walla, WA 99362

SUNNYSIDE

DOWNTOWN
322 South 6th Street
Sunnyside, WA 98944

YAKIMA

CASTLEVALE
903 Seattle Slew Run
Yakima, WA 98908

TERRACE HEIGHTS
3001 Stonewood Ct.
Yakima, WA 98901

NOB HILL
6401 W. Nob Hill Blvd.
Yakima, WA 98908

VANCOUVER

MILL PLAIN BLVD.
13909 SE Mill Plain Blvd
Vancouver, WA 98684

HAPO

Community Credit Union

MAIN LINE

509.943.5676

800.284.4276 (TOLL FREE)

MORTGAGE DIVISION

509.946.2044

BUSINESS DIVISION

509.222.3685

www.hapo.org

