

Statement of Financial Condition

For the years ended December 31, 2008 and 2009

Assets	2008	2009
Loans to members (net)	\$13,044,113	\$11,666,848
Cash & Investments	5,949,769	8,962,813
Equipment / Facilities (net)	1,409,025	1,351,020
All Other Assets	<u>292,902</u>	<u>216,240</u>
Total Assets	<u>\$20,695,809</u>	<u>\$22,196,921</u>
Liabilities		
Accounts Payable	\$ 6,328	\$ 14,982
All Other Liabilities	<u>101,180</u>	<u>120,253</u>
Total Liabilities	<u>\$107,508</u>	<u>\$135,235</u>
Equity		
Shares	\$15,975,219	\$17,544,870
Regular Reserve	1,108,057	1,108,057
Undivided Earnings	<u>3,505,025</u>	<u>3,408,759</u>
Total Member Equity	<u>\$20,588,301</u>	<u>\$22,061,686</u>
Total Liabilities & Equity	<u>\$20,695,809</u>	<u>\$22,196,921</u>

Statement of Income & Expense

For the years ended December 31, 2008 and 2009

Income	2008	2009
Interest on Loans	\$ 908,498	\$ 866,708
Income on Investments	147,663	108,161
Other Income	<u>218,762</u>	<u>243,247</u>
Total Income	<u>\$1,274,923</u>	<u>\$1,218,116</u>
Expenses		
Employee Compensation & Benefits	\$590,931	507,462
Professional & Outside Services	232,834	242,936
General Office Expense	193,472	181,644
All Other Expenses	<u>84,447</u>	<u>246,409</u>
Total Expenses	<u>\$1,101,684</u>	<u>\$ 1,178,451</u>
Income Before Dividends	\$173,239	\$ 39,665
Dividends	\$185,263	\$135,931
Net Income <Loss>	<u><\$12,024></u>	<u><\$96,266></u>



Connection Credit Union

2009 Annual Report

52nd Annual Meeting April 17, 2010

Silverdale Office
10200 Silverdale Way NW
(360) 307-6400 / fax (360) 307-6440
Monday – Friday 10:00 AM to 5:00 PM

Port Orchard Office
Givens Community Center
1026 Sidney Ave, Room 145
(360) 337-7009
Monday – Friday 10:00 AM to 5:00 PM
(Closed 1:30 PM to 2:00 PM for lunch)

Bremerton Office
In the Gateway Center
6th & Montgomery
(360) 479-1560
Monday – Friday 10:00 AM to 5:00 PM
(Closed 1:30 PM to 2:00 PM for lunch)

Mailing Address
P O Box 3990
Silverdale WA 98383

www.connectioncu.org

Supervisory Committee Report

The Supervisory Committee is responsible for making sure the credit union's financial records are in order and that internal controls are in place to protect the assets of the credit union and its members.

The Committee meets regularly to review and discuss internal controls and auditing matters. They also perform the bi-annual verification of member accounts, hire an accounting firm to perform the required audits, and review the actions of the board of directors and officers to ensure they are exercising proper control over the credit union's affairs.

The financial statements presented in this report and the results of the 2009 annual audit performed by the Moss Adams CPA firm have affirmed our belief that Connection Credit Union has adequate financial control and is financially sound.

Brandi Sefton, Madeline Durham, Cathy Johnson
Supervisory Committee Members

President's Report

2009 was a year that saw *unprecedented* challenges in the economy. Low consumer confidence, high unemployment, declining home values and increasing loan delinquencies were all factors which created harsh conditions in the financial services industry. The past year has been challenging for the entire Credit Union movement. Interest rates plummeted to near zero while unemployment soared and the economy floundered. The banking industry as a whole took it on the chin for poor decision making and extraordinary risk taking by some of the financial services giants. I am certain we will be feeling the ramifications from their actions for years to come in the form of new regulation and tighter controls. This pattern of business practices is not indicative of smaller community-based financial institutions like Connection Credit Union. Those of us who "played by the rules" and stayed true to our conservative roots are benefiting from our prudent business practices.

Connection Credit Union used its capital for its intended purpose – unexpected expenses or losses. In early 2009, two corporate credit unions, U.S. Central Federal Credit Union and Western Corporate (WesCorp) Federal Credit Union, were placed in conservatorship by the National Credit Union Administration (NCUA). These credit unions provide wholesale services to credit unions throughout the nation. They are not used by the public on a daily basis. Due to the cooperative nature of the credit union system, the conservatorship and financial losses of the corporate credit unions were paid for by federally insured credit unions including Connection Credit Union. No Troubled Assets Relief Program (TARP) funds or taxpayer dollars were used. In the case of Connection CU, the charge was \$132,835 to cover the losses on our capital at these corporate credit unions and the charge to rebuild the National Credit Union Share Insurance Fund (NCUSIF). Despite this, Connection Credit Union remains a very safe financial institution, with more than \$4.5 million in reserves at year-end 2009.

Although Connection Credit Union was profitable at an operational level (taking into account income and normal operating expenses) we did incur a loss of \$96,266 in 2009, due to circumstances related to the economy and outside of our control. Despite this, the Credit Union has weathered this turbulent economic climate well. Our commitment to sound lending policies, conservative investment strategies, and member service continue to produce good results for the organization, and our membership.

Our role in this community goes beyond our mission to be your primary institution for personal finances. We have been active in this area with strong ties to the causes that inspire

the members of this community. Through our support of the American Cancer Society, Credit Unions for Kids, the local foods banks, sponsorship of annual shred days, Harrison Hospital Foundation's Festival of Trees, and local schools, we have shown that we are friends and neighbors, not a national institution with no interest in the future of our region. We will continue to build on the solid foundation of Connection Credit Union, welcoming new members, supporting longtime members, and adding growth and prosperity to this community. We are building a stronger community, one member at a time.

Because we operate with the best interest of the membership in mind, we have been conservative over the years. This will allow us to continue to serve all of our members into the future. It's in challenging times like this, that we recognize what is truly important – being a local, not-for-profit financial cooperative, encouraging thrift and sound money management. We pledge to you, our member/owners, that we will continue to be good stewards of the resources that you entrust to us. Thank you for choosing to be a part of Connection Credit Union. We appreciate your trust and promise to stay strong to the same principles and values that have guided us through the past 52 years.

Tracy Olson
President/CEO

Chairman's Report

Welcome to another Annual Meeting. I am happy to report that we are doing all right and have not been hurt by the recession. It has made things tough but we are doing well. We just came through our state audit with good marks. We are looking forward to the economy becoming stronger and the credit union growing stronger with it.

The Board of Directors would like to commend the staff for their hard work during the year. They have done a great job. Well done!!!

The Board of Directors and the staff look forward to another year of serving the members.

Tom Burrows
Chairman of the Board

OFFICIAL FAMILY

Board of Directors

Chairman: Tom Burrows
Vice Chair: Jim McCready
Secretary: Janet Lunceford
Member: Jim Svensson
Member: Doug Bear
Member: James Durham
Member: Charlotte Belmore-Schmidt

Supervisory Committee

Brandi Sefton, Chairman
Madeline Durham
Cathy Johnson

Management & Staff

President/CEO: Tracy Olson
Vice President: Cindy Berry
Loan Officer: Summer McMullen
Lead Mbr Svc Rep: Joyce Holdren
Member Service Rep: Mary Ann Hansen
Member Service Rep: Evie Webb
Member Service Rep: Sharon Edinger
Member Service Rep: Jenna Collins
Support Services: Jade Devaney
Project Coordinator: Claudette Tulp

Mission

Building financial futures one relationship at a time.

Vision

Connection Credit Union is a premier financial organization that provides superior service to our member/owners in a personal and respectful manner.