

2010 Chairman's Report

Welcome to the Castparts Employees Federal Credit Union's 53rd Annual Meeting. The Credit Union has helped members improve their financial well-being and given back to the local community for 54 years. Back in August 1957, Castparts Employees FCU was formed with 10 people who stepped up and deposited \$5.00 each to start the Credit Union. Thanks to those first 10 members, and the many members, volunteers and employees that have followed, the Credit Union can report another successful year as a strong financial institution.

It's important to have choices when selecting a financial institution and the option to choose a locally-owned cooperative is especially important. You're not only a member of the Credit Union, you're part owner of a financial cooperative. Thank you for supporting your locally-owned credit union. We appreciate you thinking of the Credit Union first when you consider opening a savings account, checking account or taking out a loan.

The Credit Union remains financially strong and well capitalized. Total capital at year-end was 13.02% of total assets. Capital is a credit union's cushion should it suffer a bad year due to losses. Although there are still challenges with the economy including unstable employment, Castparts Employees Federal Credit Union is in a healthy position and remains a strong financial services provider.

During 2010 the Credit Union partnered with a new first mortgage provider and introduced an alternative loan to payday loans. The first mortgage provider is another credit union in the area that specializes in first mortgages. They provide this service to a number of local credit unions. This partner was selected because of the shared credit union philosophy and their excellent service reputation. They are very good to work with and have been very responsive to members' needs. Plus, when a member closes a first mortgage they receive a \$100 gift card.

The other loan product introduced in 2010 is an alternative to payday lenders, called a Friday Loan. As many of you know, payday lenders charge extremely high rates for short-term loans that often end up costing consumers a lot of money in fees and interest charges. To assist members with better managing their finances and paying less in fees and interest the Credit Union offers a short-term loan with easy to meet qualifications—with much lower fees and interest charges. We hope this helps many of our members save money and better manage their finances.

Mobile Money is another service the Credit Union added for members during 2010. This convenient on-the-go service allows members to access their account and receive account alerts on their mobile phones. With up-to-the-minute information, we feel members can better manage their accounts.

In conclusion, I want to thank the members who volunteer on the Board of Directors, the Supervisory Committee, and the Loan Review Committee for their time and commitment in the past year. I want to thank the staff for their hard work in keeping the Credit Union a place where members enjoy visiting. And I want to thank all of you, the members of the Credit Union, whom by using the services offered make the Credit Union strong and ensure its future success.

Respectfully Submitted,
James Manning, Chairman of the Board

2010 President's Report

In spite of the difficult economy in Oregon, the United States and the rest of the world, the Credit Union managed a positive net income for the year. This economy greatly impacts the Credit Union and its employer sponsors and while the economy presented many new challenges the Credit Union continues to prosper.

The Credit Union could not be insulated entirely from losses in the financial market place. The Credit Union does business with Southwest Corporate Credit Union as its access to the money markets and Federal Reserve System. As such Castparts Employees FCU maintained an investment in Southwest in the form of a Membership Capital Account. In 2010 Southwest was placed in conservatorship by the National Credit Union Administration because of investment losses incurred in the volatile financial markets by Southwest and many major banks. These losses were tied to investments in mortgage backed securities, once approved by financial regulators. The financial loss to Castparts Employees Federal Credit Union was in the amount of \$231,335. This directly impacted Castparts Employees FCU net income for the fiscal year 2010 resulting in significantly lower profits available for Credit Union expenses and dividends.

The National Credit Union Administration is the regulator for Castparts Employees FCU as well as the Administrator of the National Credit Union Share Insurance Fund. This administration is an agency of the federal government and the fund provides insurance for your shares (savings), up to \$250,000 should something happen to the Credit Union. Since several other credit unions suffered in this economic crisis, the share insurance fund paid millions of dollars in losses. These payments caused the fund to fall below a predetermined floor and the National Credit Union Administration assessed all credit unions a fee to make up for these losses. Castparts Employees FCU share for 2010 was \$42,688. This assessment is listed on the Statement of Income and Expense Statement. However, in spite of these assessments as expenses, the Credit Union had net income of \$47,501. The Credit Union will be faced with this special assessment in the upcoming years until the fund once again reaches that minimum level.

Even with all the challenges, the Credit Union's assets grew by 10%, members' shares (savings) grew by 11.57% and loans declined by 5.46%. This decline in loans follows a national trend in all financial institutions. Loan losses increased in 2010 to 1.29% of average loans as our members battle their way through this economy and high unemployment rate.

Castparts Employees FCU is well positioned to weather all losses that occur in the future. The capital (our financial reserve) is a solid 13.02% of assets. This ratio ranks high among peer financial institutions. Castparts Employees FCU is a very sound and profitable credit union.

Please review the following report for a comparison of the Credit Union's financial statement and income and expense report for the years 2009 and 2010. In conclusion, I would like to thank the staff members of the credit union for all their hard work during this trying year. The Board of Directors and committee members continue their commitment to the Credit Union and deserve a special thank you for their hard work on behalf of the members. The members also deserve special recognition of their continued use of the services of the Credit Union enabling us to make 2010 another successful year.

Respectfully Submitted,
Marilyn Hoekstra, President

2010 Financials

Statement of Financial Condition

Assets (what we own)	12-31-10	12-31-09
Loans to members	\$19,931,513	\$21,123,966
Allowance for loan losses	\$ 280,269	\$ 192,211
Net Loans	\$19,651,244	\$20,931,755
Cash on hand	\$ 706,832	\$ 848,127
Investments	\$18,284,112	\$ 13,238,962
Furniture & fixtures	\$ 3,718	\$ 19,473
Building & land	\$ 1,144,959	\$ 1,151,209
All other assets	\$ 398,907	\$ 344,748
Total Assets	\$40,189,772	\$36,534,273

Liabilities, Savings & Equity (what we owe)

Members' Savings	\$18,137,920	\$16,583,473
Members' Certificates	\$ 8,782,173	\$ 7,681,440
IRA Share Accounts	\$ 4,307,325	\$ 3,883,170
Checking Accounts	\$ 3,191,917	\$ 2,702,274
Other Liabilities	\$ 537,112	\$ 498,093
Regular Reserve	\$ 665,359	\$ 665,359
Undivided Earnings	\$ 4,567,966	\$ 4,520,465
Total Liabilities & Equity	\$40,189,772	\$36,534,273

Statement of Income & Expense

Operating Income

(what we earned)	12-31-10	12-31-09
Interest on loans	\$ 1,513,207	\$ 1,605,330
Income from Investments	\$ 379,639	\$ 382,591
Other operating Income	\$ 752,303	\$ 723,058
Total Income	\$ 2,645,149	\$ 2,710,979

Expense (where the money went)

Personnel costs	\$ 682,339	\$ 636,896
Association dues	\$ 9,980	\$ 9,568
Office operations	\$ 60,902	\$ 72,429
Office occupancy	\$ 49,137	\$ 51,619
Education & promotion	\$ 18,680	\$ 22,805
Loan servicing	\$ 45,902	\$ 33,306
Provision for loan losses	\$ 352,020	\$ 272,740
Members' insurance	\$ 6,000	\$ 6,000
NCUA Share Insurance	\$ 38,238	\$ 41,310
Temp. Corp. Stabilization	\$ 42,688	
Operating fee (NCUA)	\$ 8,560	\$ 7,812
Outside services	\$ 609,354	\$ 541,572
Staff & officials training	\$ 6,689	\$ 6,842
All other expenses	\$ 25,974	\$ 15,931
Total Expenses	\$ 1,956,463	\$ 1,718,830
Total Income	\$ 2,645,149	\$ 2,710,979
Less Total Expenses	\$ 1,956,463	\$ 1,718,830
Less Dividends to Members	\$ 409,850	\$ 540,024
Less Loss on Investments	\$ 231,335	\$ 96,801
Net Income	\$ 47,501	\$ 355,324

2010 Supervisory Committee Report

The Supervisory Committee is an integral part of Castparts Employees Federal Credit Union and is the representative for the membership. The Supervisory Committee has the responsibility to conduct audits designed to determine that accounting records and reports are prepared and accurately reflect the operations of the Credit Union.

The Supervisory Committee also determines that all internal controls are effectively maintained and adequately protect the Credit Union, its members, its management and its employees. In addition, the Supervisory Committee has the responsibility for reviewing and evaluating the performance of elected officials, employees and to make recommendations for improvement.

The Supervisory Committee hires auditors and consultants to perform required audits of the Credit Union's policies and procedures for compliance. Annually, the Supervisory Committee hires a CPA to conduct a comprehensive audit of the Credit Union's financial statement. It includes physical verification of the Credit Union's assets, verification of adequate internal audit controls, security and safeguards and compliance with the rules and regulations for federal credit unions.

In 2010, the Supervisory Committee performed quarterly internal audits of policies and procedures, open and closed member account verifications along with member loans, insuring compliance with set procedures and policies. In addition, a full 2010 financial audit was performed by an external auditor.

In addition, a Supervisory Committee representative attends the monthly Credit Union Board meetings and conferences making recommendations where necessary to improve the overall effectiveness and controls of the Credit Union for its members.

We, the Supervisory Committee have found the Credit Union in compliance with all federal and state requirements for federal credit unions.

Respectfully Submitted,
Larry Watland, Supervisory Committee Chairman

Committee Members:
Audrey Keller – Vice Chairperson
Rita Peterson – Secretary
Brenda Barton – Member

Castparts Employees Federal Credit Union

Main Office

8120 SE Luther Road, Portland, OR 97206
Phone 503.771.2464 Fax 503.771.9694
Monday – Friday 7:00 AM to 5:00 PM

LSBO Branch

4600 SE Harney Drive, Portland, OR 97206
503.777.3881 Ext. 7383
Monday – Friday 10:30 AM – 3:00 PM
Closed at Lunch 1:00 PM – 2:00 PM

SSBO Branch

13340 SE 84th, Clackamas, OR 97015
503.777.3881 Ext. 4479
Monday – Thursday 10:30 AM – 4:00 PM
Friday 8:30 AM – 4:30 PM
Closed at Lunch 1:00 PM – 2:00 PM

Credit Union ATM Centers

Main Office: 8120 SE Luther Road, Portland
SSBO: 13340 SE 84th, Clackamas
LSBO: 4600 SE Harney Dr., Portland
TBO: 5001 SE Johnson Creek Blvd., Portland
Deer Creek: 13489 SE Johnson Dr., Milwaukie

Board of Directors

James Manning, Chairman
Srivats Ram, Vice Chairman
Heather Janes, Secretary
Steven Fawver, Treasurer
Mark Perino, Director
Julie King, Director
Adrio Odobasic, Director

Supervisory Committee

Larry Watland, Chairman
Audrey Keller, Vice Chairperson
Rita Peterson, Secretary
Brenda Barton, Member

Staff Members

Marilyn Hoekstra, President
Cheryl Eveatt, Vice President
Sydney Stewart, Lending Manager
Rhonda Mullican, Loan Officer
Kyza Nelson, Loan Processor
Dickilee Stronk, Collection Manager
Tina Everett, Visa/Member Service Coordinator
Lauren Nash, EFT Specialist
Michelle Thiessen, Member Servicing Teller
Lori Wallace, Member Servicing Teller
Mandy Henry, Member Servicing Teller
Tronie Jackman, Member Servicing Teller
Alissa Read, Member Servicing Teller



2010 Annual Report

*Financial Service with
Personal Attention*

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503.771.2464

