

2009 Chairman's Report

On behalf of Castparts Employees Federal Credit Union's Board of Directors, committees and staff, I want to welcome you to the Credit Union's 52nd Annual Meeting.

The Credit Union has helped members improve their financial well-being and given back to the local community for 53 years. Back in August 1957, Castparts Credit Union was formed with ten people who stepped up and deposited \$5 each to start the Credit Union. We want to thank those first ten original members, the many volunteers over the years and staff members for ensuring the continued success of the Credit Union.

And of course we want to thank the members. Because members trust the Credit Union and use the services provided, it is the members most of all who have contributed to the on-going success of the Credit Union. Thank you for thinking of the Credit Union first when you consider opening a new savings product or taking out a loan. Without you, the members, we would not have a Credit Union. Please continue using the Credit Union so that we can remain competitive and strong.

2009 was another successful year for the Credit Union. Total capital at year-end was 14.19% of total assets. This is a cushion for the Credit Union if and when the Credit Union suffers a bad year due to losses. Compared to other credit unions, we have maintained a very strong capital position.

As a result of the Credit Card Act of 2009, many financial institutions and credit card companies adjusted the rates and fees associated with their cards. These actions significantly increased credit card rates for many consumers. However, the Credit Union's Visa Credit Card did not change and continues to offer members one of the lowest interest rates and fees available. If you know of members that have encountered increased rates and fees on their credit card, refer them to the Credit Union to save money. With no fee balance transfers and the same low APR for purchases and cash advances, members are rewarded with significant savings.

2010 may be another challenging year for credit unions. The economy is still recovering; however, Castparts Credit Union is in a very good position and remains a strong financial institution.

The Board of Directors meets monthly and is responsible for setting policies, goals, rates and for reviewing new service offerings. The Board of Directors also meets a full day every other year for a planning session. At this time, the Board reviews excising services and sets goals for the coming years.

In conclusion, I want to thank the Board of Directors, the Supervisory Committee, and the Loan Review Committee for their time and commitment. I want to thank the staff at the Credit Union for their hard work in keeping the Credit Union a place for members to want to do their financial business. And I want to thank all of you, the members of the Credit Union, whom by using the services offered ensure the future success of the Credit Union.

Respectfully Submitted,
James Manning, Chairman of the Board

2009 President's Report

2009 was a difficult year for many financial institutions. Although the Credit Union still did show a positive net income, we did have our challenges.

We could not insulate the Credit Union entirely from the other losses that were occurring in the market place. We do business with Southwest Corp. Credit Union and must establish and keep a Membership Capital Account with them. This account is at risk if Southwest Corp. Credit Union would lose any money. In 2009 this credit union did lose money, since they were heavily invested in mortgage backed securities. Castparts Credit Union did take a loss in the investment at Southwest Corp. Credit Union listed on the 2009 Income Statement.

Our regulator is the National Credit Union Administration (NCUA). The Administration is a government agency. This agency does provide the \$250,000 share insurance that each member's account is covered up to in the case of any losses. Since there were many losses in other credit unions in 2009 this share insurance fund also showed a loss. In order for this fund to remain viable, each credit union needed to make a deposit to the fund. Castparts Credit Union's part of this impairment expense was \$41,310. This is also listed on the Statement of Income & Expense.

The good news is even after paying these unexpected expenses, the Credit Union did have a net income of \$355,324. The bad news is that the Credit Union will have additional expenses from Southwest Corp. Credit Union and the NCUA in 2010.

Our main sponsor company, Precision Castparts Corp. did have some employee lay offs in 2009. This always impacts the Credit Union. The general economy for 2009 was not very good which also impacts the Credit Union

Although we did have these challenges, the Credit Union did show growth in three key areas. Share growth for 2009 was 11.53%, loan growth was 1.46% and asset growth was 11.34%.

Loan losses have increased in 2009 to .84% of average loans. Because of some of our members out of work we do anticipate loan losses to be high in 2010.

With all of that said, Castparts Employees Federal Credit Union is well positioned to weather any losses that might occur in the next year and beyond. The capital of the Credit Union is a solid 14.19% of current assets. This is a strong capital position. We are a very sound and profitable Credit Union. Please see following this report a comparison of the Credit Union's financial statement and income statement for the years 2009 and 2008.

In conclusion, I would like to thank the staff members of the Credit Union for all their hard work this past year. I also would like to thank the Board of Directors and Credit Union committee members for their commitment to the Credit Union and I would like to thank our members who by using the services of the Credit Union have made 2009 another successful year.

Respectfully Submitted,
Marilyn Hoekstra, President

2009 Financials

Statement of Financial Condition

<u>Assets (what we own)</u>	<u>12-31-09</u>	<u>12-31-08</u>
Loans to members	\$21,123,966	\$20,820,717
Allowance for loan losses	\$ 192,211	\$ 96,085
Net Loans	\$20,931,755	\$20,724,632
Cash on hand	\$ 848,127	\$ 629,500
Investments	\$13,238,962	\$ 9,930,225
Furniture & fixtures	\$ 19,473	\$ 35,640
Building & land	\$ 1,151,209	\$ 1,157,459
All other assets	\$ 344,748	\$ 336,108
Total Assets	\$36,534,273	\$32,813,564

Liabilities, Savings & Equity (what we owe)

Members' Savings	\$16,583,473	\$15,656,461
Members' Certificates	\$ 7,681,440	\$ 6,000,148
IRA Share Accounts	\$ 3,883,170	\$ 3,287,588
Checking Accounts	\$ 2,702,274	\$ 2,350,396
Other Liabilities	\$ 498,093	\$ 691,618
Regular Reserve	\$ 665,359	\$ 665,359
Undivided Earnings	\$ 4,520,465	\$ 4,161,994
Total Liabilities & Equity	\$36,534,273	\$32,813,564

Statement of Income & Expense

Operating Income

<u>(what we earned)</u>	<u>12-31-09</u>	<u>12-31-08</u>
Interest on loans	\$ 1,605,330	\$ 1,546,893
Income from Investments	\$ 382,591	\$ 441,336
Other operating Income	\$ 723,058	\$ 765,107
Total Income	\$ 2,710,979	\$ 2,753,336

Expense (where the money went)

Personnel costs	\$ 636,896	\$ 593,200
Association dues	\$ 9,568	\$ 9,069
Office operations	\$ 72,429	\$ 55,228
Office occupancy	\$ 51,619	\$ 52,871
Education & promotion	\$ 22,805	\$ 55,073
Loan servicing	\$ 33,306	\$ 52,527
Provision for loan losses	\$ 272,740	\$ 190,462
Members' insurance	\$ 6,000	\$ 6,000
NCUA Share Insurance	\$ 41,310	
Operating fee (NCUA)	\$ 7,812	\$ 7,389
Outside services	\$ 541,572	\$ 518,922
Staff & officials training	\$ 6,842	\$ 9,308
All other expenses	\$ 15,931	\$ 12,203
Total Expenses	\$ 1,718,830	\$ 1,562,252
Total Income	\$ 2,710,979	\$ 2,753,336
Less Total Expenses	\$ 1,718,830	\$ 1,562,252
Less Dividends to Members	\$ 540,024	\$ 649,642
Less Loss on Investments	\$ 96,801	
Net Income	\$ 355,324	\$ 541,441

2009 Supervisory Committee Report

The Supervisory Committee is a fundamental part of Castparts Employees Federal Credit Union and serves to be your representative for all members. We are here to listen to your concerns, as well as to extol your appreciation for Credit Union services and courtesies.

To assist with our review of internal financials, the Committee hires an Internal Auditor to conduct internal audits; we meet with this auditor on a regular basis and discuss matters that arise. If necessary, we consult with The Credit Union Board of Directors and management to resolve any issues.

The Committee oversees the internal controls to ensure that controls are in place to protect you, the members, as well as those of the Credit Union, its management and the employees. We also have the responsibility for reviewing and evaluating the performance of elected Board Members and employees, and make any appropriate recommendations for improvements when, and if, needed.

Annually, the Credit Union Supervisory Committee hires a Certified Public Accountant to conduct a thorough audit of the financial records of the Credit Union. Among other procedures, it includes verification of assets, audit controls, security and safeguards and compliance with all applicable rules and regulations for credit unions. This year, we received notice that "the financial statements, as audited, present fairly, in all material respects, the financial position of Castparts Employees Federal Credit Union as of June 30, 2009, and the results of its operation and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America." We are happy to report that your credit union is in great shape!

Additionally, a member of the Supervisory Committee regularly attends the monthly Board of Directors' meetings, and also attends various Credit Union Association educational conferences, the Credit Union's planning sessions and any other functions to assist us in improving, and helping to understand management controls of all member assets.

If you have any questions, do not hesitate to contact the Supervisory Committee. We're here to help you and investigate any of your concerns. A roster is listed on the back of this report.

Respectfully Submitted,
Brenda Barton, Chair
Supervisory Committee

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
Heather Janes, Secretary
Srivats Ram, Treasurer
Steven Fawver, Director
Dan Hartley, Director
Mark Perino, Director
Julie King, Director

Supervisory Committee

Brenda Barton
Audrey Keller
Rita Peterson
Don RothWilson
Janet Buffaro

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
Brittany Burris, Member Servicing Teller
Lori Wallace, Member Servicing Teller
Mandy Henry, Member Servicing Teller



2009 Annual Report

*Financial Service with
Personal Attention*

www.castpartsfcu.org

503.771.2464

