

Financial Review

Fourth Fiscal Quarter 2021

July 1 – September 30, 2021



On the Back ←

Board of Directors

Inside



Income Statement

Balance Sheet

A Message from
CEO Larry Hayes

A Message from Board
Chair Chuck Papenfus

Dear clients, customers and esteemed members of the CU*NorthWest family,

My name is Larry Hayes and I am the proud new CEO of CU*NorthWest. Thank you for welcoming me into this wonderful organization. I know that the board had many fine candidates to choose from and I am truly humbled that they have entrusted the future of the company and its extraordinary clients to me and my team.

As a 25 year credit union and CUSO veteran, I bring over twenty years of experience to CU*NorthWest. However, my true talent is in bringing people together and working toward a united goal and vision for the greater good of the organization. When I first looked at CU*NorthWest, I saw an organization that shared these ideals: a progressive company with infinite possibilities and opportunities, including serving as a certified distributor of the innovative CU*BASE system.

But, most importantly, I saw YOU.

You are the people that make up the backbone of this extraordinary institution. I've always believed that no company is successful without the people and systems that help guide it. Which is why, when I had the pleasure of being introduced to many of you at the Leadership Conference, it was unnerving to hear that we had dropped the ball when it came to communication and being transparent with you.

I am here today to tell you that this will change TODAY. A communication is going out immediately to let you know that I heard you, I understand your concerns, I appreciate your honesty and feedback; and I will communicate transparency early and often.

After today's communication, you can expect a bi-monthly communication from me that will update you on all new advances, products, services and anything that is pertinent to helping you do your job more efficiently and successfully.

Continued inside

There is a lot to report this quarter! The Board created a business plan and budget, hired a new CEO, and held a Leadership Conference. All this while keeping the trains running to serve our credit unions...and ending the year with a positive net income!

2021 Leadership Conference

I'm writing this just a few days after the 2021 Leadership Conference in Spokane. On Day One we presented the 2022 business plan, answered questions from our owners and reviewed recent CU*BASE enhancements. Day Two saw a full morning of roundtable discussions, and several owners stuck around to observe our regular board meeting that afternoon.

This was the first opportunity for our owners and clients to meet and interact with our new CEO, Larry Hayes. Even though he had officially been on the job for only a week, Larry was an active participant with Heri Garcia and me in the Day One morning presentations. We also had the chance to meet Geoff Johnson, the new CU Answers CEO. Geoff's presentation with Randy Karnes gave us many valuable takeaways about network resources our credit unions can use to gain income and provide more value for members.

Board Transitions

I would be remiss if I did not mention some transitions on the board that were announced at this week's conference. **Debie Keese** has transitioned from a full board member to an associate board member as she plans retirement in 2022. Debie was a founding board member and CU*NorthWest benefited greatly from her dedication and passion.

Speaking of passion, Randy Karnes will be stepping off the board as Geoff Johnson replaces him effective November 1. Also a founding board member, Randy was the driver in creating the cuasterisk.com group provider network, and we've been well served by his knowledge and advice over the years as well. Thank you to both Randy and Debie. You have made our board room a better place, and our lively debates with you will be missed!

Continued on back

Key Dates

Year-End Training

Wednesday, December 8

12:00 PM – 1:30 PM ET

<https://www.cuanswers.com/resources/edu/courses/syllabi/?course=3.95>



Income Statement

	September 2021 YTD	Budget YTD
Income/Revenue		
Total CU*BASE Revenues	5,420,327	5,214,377
Total Programming Revenues	407,220	405,244
Total External Business Revenue	62,225	55,092
Total Sales	5,889,772	5,674,713
Total Cost of Goods Sold	2,491,858	2,362,787
Gross Margin/Income	3,397,914	3,311,926
Expenses		
Total Employee Expenses	2,422,570	2,356,518
Total Non-Employee Expenses	915,751	830,358
Total Operating Expenses	3,338,321	3,186,876
Total Other Expenses	-	-
Gross Expenses	3,338,321	3,186,876
Net Income Before Taxes and Dividends	59,593	125,050

Stock Value

The book value of Class A ownership shares as of 9/30/20 is \$70,581.53. Ownership shares sell at \$105,000 or 1.5 times the book value.

Balance Sheet



Current Month
September 2021

Assets

Total Cash/On-Demand Deposits	1,071,962
Total Investments	88,354
Total Accounts Receivable	604,351
Total Pre-Paid Assets	538,816
Total Fixed Assets	38,131
Total Other Assets	201,609

Total Assets

2,543,223

Liabilities & Equity

Total Short Term Liabilities	262,014
Total Long Term Liabilities	7,566

Total Liabilities

269,580

Total Equity

2,273,643

Total Liabilities & Equity

2,543,223

A Message from CEO Larry
Hayes (*Continued from cover*)

I will also be creating and implementing an internal communications plan that is dedicated solely to addressing YOUR needs. For this time period, we will not be focusing on outbound sales, as fixing our intra-communication system is of the utmost importance. After all, as our business plan states: **“We have one primary goal: to re-win the support of our client owners for our CUSO and its ability to support them in their business goals going forward.”**

Our thoughts are dominated by regaining our passion and commitment to premier execution in supporting our client owners in their agendas around CU*BASE and the suite of products we license from CU*Answers. While there are several other goals for our future, it will take most of the 2022 business year to reset our teams, reposition our balance sheet and foster a new leadership team so that I, as CEO, can move forward and the board can act in their traditional role.

I am eager to learn from each and every one of you about your wants, needs, and, most importantly, goals for the future. I know that this process is just the beginning but I am excited to take the journey with you.

Take care, I look forward to speaking with you very soon.

Best,

- Larry Hayes, CEO of CU*NorthWest

Finally, the group was able to interact with Jake Harbour and Alan Cortum who were elected earlier this year and started their terms on October 1. They both previously served as associate board members; we're excited for their continued input.

On to the Numbers

The financials reviewed by the board showed a net income of approximately \$85,000 before any potential tax adjustments from the final audited financials, which are typically approved in December. With any positive year, CU*NorthWest returns a minimum of 10% back to the owners. This can be a straight dividend or a patronage dividend, each having their advantages.

After a spirited debate that resulted in a split 4-2 vote, it was decided to preliminarily give our CPA firm the following guidance: we plan to distribute a dividend equaling 10% of the net income to clients and reserve the remaining funds in retained earnings for future use. The actual dividend and method will be finalized in December.

Our New CEO

I suppose a real journalist might have started off with this part, but I guess I was saving the best for last. After countless hours of work on the part of the search committee, we are excited to welcome Larry Hayes as our new CEO, effective October 18th, 2021.

We received a number of quality applicants, and after initial Zoom interviews with ten people, we narrowed the field to four candidates and conducted lengthy in-person interviews. The final two candidates were interviewed by the full board via Zoom.

After all of this, Larry was the last person standing, but he had one final hurdle. The search committee met with him in Spokane, and he presented himself in front of the entire CU*NorthWest staff. After that lengthy Q&A, we knew Larry was the right person to lead CU*NorthWest going forward, and the board is thrilled to be working with him.

On to a Great 2022!

I close by encouraging everyone to attend the CEO Strategies event on November 9, 2021. While this year's event was shifted to a Zoom webinar, it will still be a valuable opportunity to learn about the vision for CU*BASE, **It's Me 247**, and other development projects our network will be seeing throughout the coming year.

After a turbulent 2021, the board could not be more positive about our opportunities and promise for 2022. It's going to be a great year, and I look forward to sharing our journey in future communications.

- Chuck Papenfus, CU*NorthWest Board Chair



Board of Directors

Chair

Charles Papenfus

Inland Valley Federal Credit Union
Fontana, California

Vice Chair

Leslie Johnson

CALCOE Federal Credit Union
Yakima, Washington

Secretary/Treasurer

Debie Keesee

Spokane Media Federal Credit Union
Spokane, Washington

Board Members

Steve Kelly

Metrum Community Credit
Union
Centennial, Colorado

Randy Karnes

CU*Answers
Grand Rapids, Michigan

Eddie Garcia

Thinkwise Credit Union
San Bernadino, California

John Bagents

County Schools Federal
Credit Union
Ventura, California

Associate Board Members

Alan Cortum

Valley Oak Credit Union
Three Rivers, California

Jake Harbour

Santa Barbara County
Federal Credit Union
Santa Barbara, California



1421 North
Meadowwood Lane
Liberty Lake, WA 99019
www.cunorthwest.com