

ANNUAL REPORT



We Listen, We Serve, We Educate, We Care...Always!

2023



CHAIRMAN'S REPORT



On behalf of the Board of Directors for Peninsula Community Federal Credit Union, it is my privilege to update you on the great year that your credit union has had.

The Board specifically took time during our strategic planning discussions to review the fast changing environment within which the credit union operates. The Credit Union is well positioned to respond to economic factors related to inflation, keep a critical eye on security threats to ensure your information safe, and be nimble to adopt changes to the digital landscape.

Our Leadership Team, led by our CEO, Jim Morrell, is incredibly strong and helps to ensure strength in succession. We have been bolstered by remaining focused on being a Certified Community Development Financial Institution (CDFI). We are also always looking for individuals interested in growing their careers and providing perspectives as a volunteer for the credit union.

Over the past year, these Community Development efforts have expanded to welcome the growing Hispanic community within our field of membership. To this end, the credit union began lending to people who have their Individual Tax Payer Identification Number (ITIN) issued by the IRS for people who cannot get a social security number.

There are many risks the Credit Union faces. We took lessons learned from the Silicon Valley Bank failure to ensure your financial cooperative

maintains strong liquidity. There were also a number of scares related to potential government shutdowns which fortunately each time were averted. The Board discusses with Management the Credit Union's ability to immediately step in to financially assist you during such as situation should that become necessary.

We believe that each person who the Credit Union assists to improve their financial well-being helps not only that household, but also contributes to the economic growth of the counties we serve. We review your feedback throughout the year as well as the annual member survey and support efforts to address the opportunities and concerns you raise. To this end, the Board supported initiating a long process for evaluating our core data processing and digital banking solutions. Please note, this process will take a couple of years, to evaluate the best decision and plan for a change.

Thank you for your trust, participation, and continued support.

Sincerely,

John Bolender, Chairman



PRESIDENT'S REPORT



Each time we connect with you whether in-person, over the phone, through a loan application that originates at a dealership, or online, we want you to know that you have a place here. The Peninsula Credit Union Team pursues a Wow! experience with each of our members during these interactions.

Financially your Credit Union finished the year soundly. The Credit Union's net worth at 2023 year-end was 10.94%. The financial charts in this annual report also show growth in our total loans and total assets. We are just shy of the \$300 million asset mark. We want to thank you, our members, for entrusting us with your hard earned money.

We know that it is not an easy time to maintain a household budget. The cost of food, utilities, gas, and housing are all increasing. Our Team is continuously trying to find a way to say 'Yes' by providing you a lower cost line of credit, lower Visa rate, or lower rate on your auto loan. By doing this, we have found many ways for many members to provide you one stable loan payment to make, costing you less, and allowing you to afford the higher prices of living in today's world.

Our Team has done a significant amount of work to understand how we can be more welcoming to more people. We attend quarterly sessions on diversity, equity, and inclusion, as well as our all staff day in October that focus on how we create that sense of belonging to more people.

During 2023, we began to gain momentum with our efforts to serving the growing population within our communities who are Hispanic. While we are open to serving everyone, regardless of

economic status or any other background, we know that our Hispanic neighbors are growing. To this end, we started opening loans for people who have Individual Tax Payer Identification Numbers (ITIN), our website now translates by the click of a button into Spanish, we have Spanish translated information for those members who prefer Spanish, as well as financial education through Balance on our website.

We have products to help support your financial well-being as well as incentivize you towards to moving to a stronger financial position. Products such as our Save-to-Win account that helps support you in saving money; loans for people with lower credit scores that help motivate you to make on time payments by automatically reducing your interest rate every year, up to three years when you do so; or online resources that are free which help you monitor your credit scores which is available for everyone.

We believe in supporting the families that make our communities vibrant. By living out our values that "We Listen, We Care, We Educate, and We Serve...Always!" our Team strives to empathize with what you have happening in your financial life and assisting you to get where you want to go. Ultimately, we want to empower you to achieve financial stability and peace of mind.

Cooperatively,

Jim Morrell, President/CEO



SUPERVISORY COMMITTEE REPORT

The Supervisory Committee works on your behalf, to ensure that the credit union operates with the highest degree of integrity. This Committee is responsible for the safety and soundness of Peninsula Community Federal Credit Union.

Controls are in place to assure that your Credit Union conducts its operations and activities in a safe and sound manner. These controls provide reasonable assurance that transactions are authorized, assets are safe guarded, and proper records are maintained.

To assist the Supervisory Committee in carrying out our responsibilities, we review internal audit reports, other third party audits that are conducted, and respond to any member compliments or concerns.

The Credit Union's Internal Auditor is employed by the Credit Union. At the end of the year, we began a transition from one auditor to another, and we are confident the new internal auditor will thoroughly continue the oversight work with the Committee.

Last year, the Credit Union was examined by the National Credit Union Administration (NCUA). We are happy to report that the NCUA reported no findings. Moss Adams, LLP, also performed a full financial statement audit with an effective date of March 31, 2023. They concluded the financial statements present fairly, in all material aspects, the financial position of the Credit Union and the results of its operations and its cash flows for the year in accordance with accounting principles generally accepted in the United State of America.

Additionally, third party audits took place to perform an Information Security Testing Assessment, ACH operations, and a Bank Secrecy Act (BSA) and Office of Foreign Asset Control (OFAC) Independent Audit. All audits were positive and management has shored up any areas that were noted during these audits.

Respectfully,

Mendy Harlow, Chair Supervisory Committee



COMMUNITY IMPACT REPORT



In 2023, Peninsula Credit Union continued our unwavering commitment to community development and education, aligning with our mission to promote community development by listening to people, serving their financial needs, educating for personal development, and caring about their path to financial stability.

Education remained a focal point of our community development endeavors. Through our Peninsula Education Grants (PEG) program, we awarded a total of \$6,700 to support programs, materials, and equipment in local schools across Mason, Kitsap, Jefferson, and Grays Harbor counties. Additionally, we organized highly successful Bite of Reality financial fairs at Shelton and North Mason High Schools, where over 600 combined students gained essential insights into credit and budgeting through interactive, app-based experiences.

These events were made possible through collaboration with the help of dedicated community volunteers, several Peninsula Credit Union employees, and a partnership between Peninsula and other local credit unions.

Our efforts extended beyond financial education to serve the diverse financial needs of all our communities, including the unbanked and underbanked. Our Community Financial Educator dedicated over 800 hours in 2023 to providing financial education and guidance to various community partners, including TheYouth Connection, Shelton Family YMCA, The Arc of the Peninsulas, Olympic College, Port Townsend's Owl 360/The Nest, and more.

Our staff collectively contributed 750 volunteer hours to various community initiatives and events throughout the year, underscoring our commitment to giving back to our community.

In alignment with our strategic initiatives, we continued to support the Hispanic community by participating in events such as Hispanic homeownership workshops in Poulsbo and supporting Spell-E-Bration, an event organized by community partner Sound Learning, which focuses on adult education for the Hispanic community.

In 2023, we celebrated Hispanic Heritage Month by actively engaging with the Hispanic community through various initiatives. We partnered with community organizations like CIELO and Sound Learning, providing financial education resources in Spanish, hosting cultural events, and participating in local festivals. By celebrating Hispanic Heritage Month, we not only honored the cultural richness and contributions of the Hispanic community but also reinforced our commitment to providing inclusive financial services and support to all members of our diverse community.

As we reflect on our community impact in 2023, we remain steadfast in our commitment to fostering equitable community development for all. We extend our sincere gratitude to our members, partners, and community for their continued support in making a meaningful difference in the lives of those we serve.



WOW STORIES

In 2023, Peninsula Credit Union continued our mission to empower members and support their financial well-being through personalized service and innovative solutions.

Here are the highlights of some of the most impactful member stories from the year:

Financial Relief Through Holistic Solutions:

In Port Orchard, member Ava faced severe financial hardship due to daunting medical diagnoses, reducing her work hours and leaving her unable to meet her financial obligations. We stepped in to provide holistic support, with Kristin and the Loss Prevention team collaborating to offer a loan modification tailored to Ava's needs. This not only provided her with immediate relief but also demonstrated our commitment to supporting members during challenging times.

Preventing Elder Financial Exploitation:

In Poulsbo, Ylma's vigilance prevented a 70-year-old member, Susan, from falling victim to a scam. Despite Susan's convincing request for a large cash withdrawal, Ylma's intuition prompted her to probe further and involve the member's daughter, ultimately uncovering the scam. This intervention not only saved Susan from financial loss but also highlighted our dedication to protecting vulnerable members from exploitation.

Empowering Financial Independence:

Charlie's proactive outreach in Shelton led to a life-changing financial transformation for a recently retired member Frank. By initiating a

conversation about debt consolidation and financial strategy, Charlie empowered Frank to take control of his finances. Through creative solutions like collateral utilization and balance transfers, Frank was able to significantly reduce his monthly payments and achieve newfound financial freedom.

Enhancing Member Experience Through Innovation:

In Port Townsend, the implementation of the PCU Card Connect app, coupled with personalized technical support from Kade, demonstrated our commitment to enhancing member experience through innovation. When member Jonathan discovered fraud on his debit card, Kade not only assisted him with receiving a new card but also introduced him to the PCU Card Connect app. Recognizing Jonathan's concern for security, Kade provided step-by-step guidance on downloading and using the app, ensuring Jonathan could monitor his account in real-time and protect against future fraud attempts. This personalized support not only resolved Jonathan's immediate issue but also empowered him to proactively safeguard his finances, reinforcing our dedication to member-centric solutions.

These impactful member stories underscore PCU's unwavering dedication to empowering members, protecting their financial interests, and providing innovative solutions to meet their evolving needs. As we reflect on the achievements of 2023, we remain committed to our mission of serving our members and communities with integrity, empathy, and excellence.

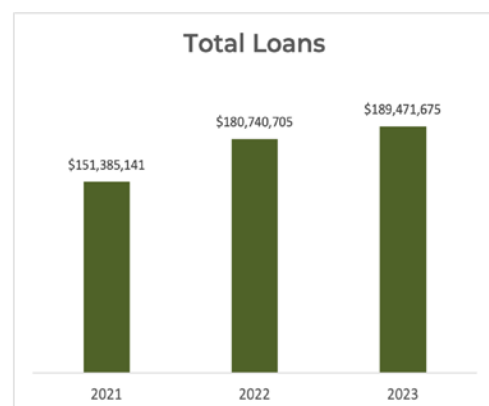
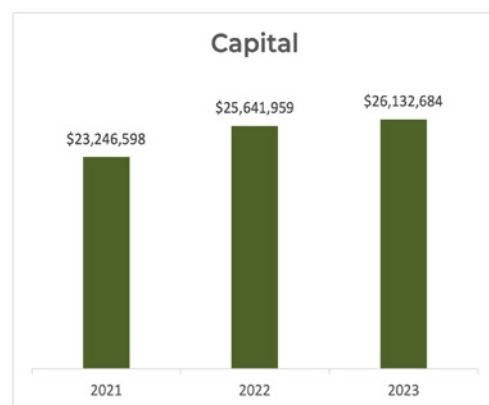
2023 FINANCIALS



Financial Summary

Statement of Financial Condition

	2022	2023	Change
Assets			
Cash on Hand and on Deposit	\$12,127,732	\$25,658,766	\$13,531,034
Loans	\$180,740,705	\$189,471,675	\$8,730,970
Allowance for Loan Loss	(\$948,829)	(\$1,770,783)	(\$821,954)
Investments	\$82,555,092	\$72,250,210	(\$10,304,882)
Land, Building, Fixed Assets	\$3,293,115	\$3,194,121	(\$98,994)
Other Assets	\$4,824,158	\$5,035,604	\$211,446
Total Assets	\$282,591,973	\$293,839,593	\$11,247,620
Liabilities			
Other Liabilities	\$1,142,126	\$1,160,828	\$18,702
Notes Payable	\$4,900,000	\$4,900,000	\$0
Total Liabilities	\$6,042,126	\$6,060,828	\$18,702
Equity			
Shares Held by Members	\$256,919,471	\$265,596,581	\$8,677,110
Shares Held by Non-Members	\$0	\$0	\$0
Regular Reserve	\$368,501	\$368,501	\$0
Undivided Earnings	\$25,273,458	\$25,764,183	\$490,725
Unrealized Loss On Investments	(\$6,011,583)	(\$3,950,500)	\$2,061,083
Total Equity	\$276,549,847	\$287,778,765	\$11,228,918
Total Liabilities & Equity	\$282,591,973	\$293,839,593	\$11,247,620



Statement of Earnings

	2022	2023	Change
Income			
Loan Interest Income	\$6,996,655	\$9,044,414	\$2,047,759
Income from Investments	\$2,186,654	\$1,590,016	(\$596,638)
Other Income	\$3,402,816	\$3,499,738	\$96,922
Total Income	\$12,586,125	\$14,134,168	\$1,548,043
Expense			
Operating Expense	\$10,140,740	\$11,448,302	\$1,307,562
Interest on Borrowed Money	\$961	\$584	(\$377)
Total Expenses	\$10,141,701	\$11,448,886	\$1,307,185
Non Operating Income	\$289,621	\$0	(\$289,621)
Net Income	\$2,734,045	\$2,685,282	(\$48,763)
Distribution of Net Income			
Dividends to Members	\$338,684	\$1,616,912	\$1,278,228
To Reserves	\$2,395,361	\$1,068,370	(\$1,326,991)
Total Distribution	\$2,734,045	\$2,685,282	(\$48,763)





SHELTON

521 W. Railroad Ave
Shelton, WA 98584

Monday - Thursday

Lobby 9:00 - 5:30
Drive-up 8:30 - 5:30

Friday

Lobby 9:00 - 5:30
Drive-up 8:30 - 6:00

BELFAIR

23550 NE State Route 3
Belfair, WA 98528

Monday - Thursday

Lobby 9:00 - 5:00
Drive-up 9:00 - 5:30

Friday

Lobby 9:00 - 5:30
Drive-up 9:00 - 6:00

PORT ORCHARD

1081 Bethel Ave.
Port Orchard, WA 98366

Monday - Thursday

Lobby 9:00 - 5:30
Drive-up 9:00 - 5:30

Friday

Lobby 9:00 - 5:30
Drive-up 9:00 - 6:00

POULSBO

21505 Market Pl NW
Suite 109
Poulsbo, WA 98370

Monday - Friday

Lobby 10:00 - 5:00

PORT TOWNSEND

1250 W Sims Way
Port Townsend, WA 98368

Monday - Friday

Lobby 9:00 - 5:30

800-426-1601 toll free
360-426-1601