

56TH ANNUAL REPORT 2008

ILAPO

ILAPO

HAPO'S ORGANIZATIONAL VALUES

To our member, we commit to

"Be in the Moment"

"Nurture Trust"

"Build and Enhance Productive Relationships"

so that we meet your needs

as if they were our own.

ORDER OF BUSINESS / 56TH ANNUAL MEETING

WEDNESDAY, APRIL 15TH, 2009

1. Call to Order – **Mike Young**
2. Reading of Minutes, 55th Annual Meeting – **Ken Bays**
3. Chairman’s Message – **Mike Young**
4. President’s Message – **David Schulz**
5. Supervisory Committee Report – **Darrel Stafek**
6. Unfinished Business – **Mike Young**
7. New Business – **Mike Young**
 - A. Other New Business
8. Door Prize Drawing – **Cathy Clark & Bernadette Flynn**

HAPO: A COMMUNITY CREDIT UNION

HAPO has a long history of community involvement. We have supported numerous worthy organizations and causes over the years. We continue to do so today. In 2008 we made the decision to focus our support to the Tri-Cities Cancer Center as a noble and deserving organization. HAPO shares a common belief with the Tri-Cities Cancer Center that we all have a responsibility to help our community.

When we heard that the Tri-Cities Cancer Center was building a new wing for their patients, we knew this project was special. The 25,000 square foot addition (*shown on the facing page*) will allow the Cancer Center to treat more patients and to offer additional programs and services to patients and their families. The new wing opened in March 2009 and is named the HAPO Community Credit Union Medical Oncology Wing.

We are proud of our involvement with this worthy project, and we are also proud to be able to continue participating in many local events and non-profit organizations through charitable contributions, sponsorships, and employee volunteers.

In 2008 we participated with the following:

COMMUNITY

- Tri-Cities Cancer Center
- Cool Desert Nights
- Tri-City Water Follies
- 2nd Harvest – Food Drives
- Red Cross – Real Heros Event
- Red Cross – Employee / Member Blood Drives
- Habitat for Humanity
- First Night Tri-Cities
- Yakima Greenway
- River of Fire Festival

SCHOLARSHIPS FOR STUDENTS

- HAAP
- AAAS
- WSU

CHILDREN'S EVENTS AND INVOLVEMENT

- Junior Achievement
- Boys and Girls Club
- Children's Hospital
- Kid Camp
- Children's Developmental Center
- Columbia Industries
- Special Olympics

BUILDING FUNDS

- Yakima Medical School



The NEW "HAPO Community Credit Union Medical Oncology Wing"
At the Tri-Cities Cancer Center in Kennewick, WA.

ELEVEN FINANCIAL CENTERS AND GROWING

At HAPO Community Credit Union we believe that progress means growth. Our goal is to grow with our members so that we may best fit their needs. This includes added convenience with new locations and expanded products and services. 2008 saw tremendous growth for HAPO. We grew in all areas, but the most visible was our branching. We added three new facilities; two financial centers and a mortgage office. These facilities will help us to meet the needs of our members.

In July we opened a Walla Walla Mortgage Office. Walla Walla residents have been coming to HAPO for years, and we decided it was time for us to go to them.

The opening of the North Richland Financial Center in November was especially meaningful for us. HAPO was established by Hanford workers in 1953, and we are proud of those roots. The location was chosen specifically with the Hanford workers in mind. The location is convenient for our members commuting to and from Hanford, and we have tailored our hours to fit their work schedules.



South Kennewick Financial Center

In December we held the Grand Opening of our South Kennewick Financial Center off Highway 395. This facility has a brand new look and great location (*shown below-left, and on the facing page*). We were very excited to unveil the 'new look of HAPO' with this branch and our members and neighbors have responded well to it. If you have not yet stopped in we invite you to come take a look.

2008 was our best year yet. We saw record growth and expansion at HAPO. We are optimistic about the future, and we will continue to grow as the demand increases. As we move forward we take with us the same strong, dependable values that have governed us since the beginning. We believe in doing business the right way, and we will continue to progress and grow for our members.

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Walla Walla - Mortgage Office

Address: 17 N. 2nd, Walla Walla

Hours: Monday-Friday, 9:00 a.m.-6:00 p.m.

North Richland - Financial Center

Address: 2952 George Washington Way, Richland

Hours: Monday-Friday, 6:00 a.m.-5:00 p.m.

Monday-Friday Drive Thru 6:00 a.m.-5:00 p.m.

South Kennewick - Financial Center

Address: 4851 W. Hildebrand Blvd., Kennewick

Hours: Monday-Friday, 9:00 a.m.-6:00 p.m.

Saturday Drive Thru 10:00 a.m.-2:00 p.m.



The NEW South Kennewick Financial Center
Featuring the 'new look of HAPO'.

FINANCIAL STATEMENTS

COMPARATIVE BALANCE SHEETS

As of December 31, 2008 & 2007

ASSETS

	2008	2007
Cash and Cash Equivalents	\$33,562,011	\$27,973,272
Investments – Net	28,584,607	8,304,420
Loans to Members – Net	534,112,588	450,147,045
NCUSIF Deposit	4,827,863	4,334,382
Land and Buildings – Net of Depreciation	16,466,785	10,926,007
Furniture & Equipment – Net of Depreciation	3,851,826	3,182,299
Other Assets	5,900,465	6,671,824
TOTAL ASSETS	\$627,306,145	\$511,539,249

LIABILITIES & MEMBERS' EQUITY

Liabilities

Accrued and Other Liabilities	\$9,583,523	\$8,766,877
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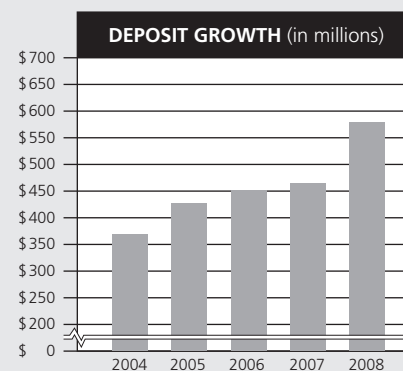
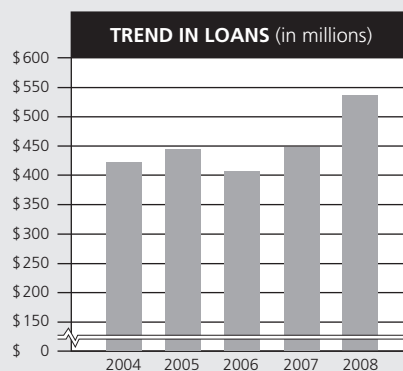
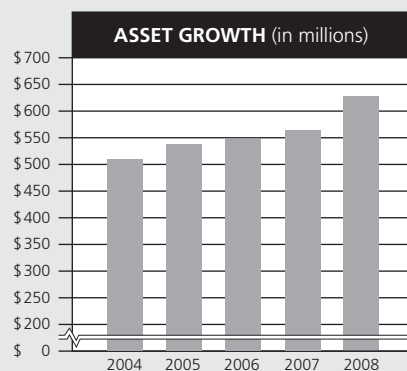
Member deposits

Savings Accounts	117,945,800	108,876,424
Checking Accounts	72,722,988	56,226,842
Money Market Accounts	126,127,640	119,619,654
Certificates of Deposit	239,627,416	157,779,390
IRA Accounts	16,592,768	19,609,697
	573,016,612	462,112,007

Members' Equity

	44,706,010	40,660,365
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TOTAL LIABILITIES & MEMBERS' EQUITY	\$627,306,145	\$511,539,249
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STATEMENTS OF OPERATION

For the years ended December 31, 2008 & 2007

2008

2007

OPERATING INCOME

Interest on Member Loans	\$31,919,931	\$27,667,332
Income from Investments	1,544,411	2,907,410
Member Dividends	(13,872,969)	(13,959,506)
Interest on Borrowed Funds	-	(30,446)
Net Interest Income	19,591,373	16,584,790
Provision for Loan Losses	(4,130,004)	(4,357,527)
Other Operating Income	9,780,336	9,121,747
Total Operating Income	25,241,705	21,349,010

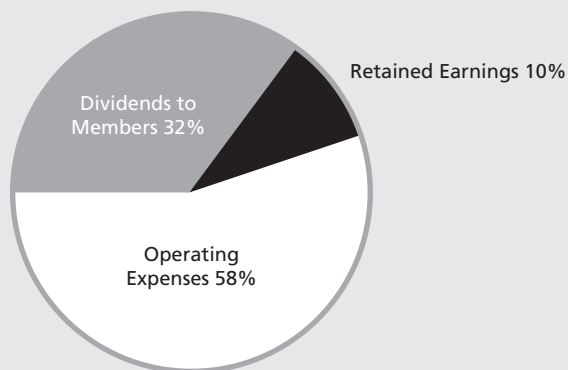
OPERATING EXPENSES

Employee Compensation, Benefits and Taxes	11,619,176	9,714,285
Office Occupancy	1,082,649	963,315
Office Operations	4,494,239	3,997,813
Marketing and Promotion	879,630	794,579
Loan Servicing	1,151,497	1,040,686
Professional / Outside Services	696,331	496,395
Other Operating Expenses	1,009,323	794,872
Total Operating Expenses	20,932,845	17,801,945
Net Operating Income	4,308,860	3,547,065

NON-OPERATING INCOME	229,111	99,727
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NET INCOME	\$4,537,971	\$3,646,792
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DISTRIBUTION OF 2008 INCOME



* The accompanying financial statements are unaudited.

MINUTES OF THE 55TH ANNUAL MEETING

APRIL 16TH, 2008

The 55th Annual Meeting of HAPO Community Credit Union was called to order by Chairman of the Board, Mike Young at 7:30 p.m., Wednesday, April 16, 2008, in the Richland High School cafeteria. There were 30 members and two guests present.

Chairman Young asked if there were any corrections to be made to the minutes of the 54th Annual Meeting. As there were no corrections, it was moved and seconded to dispense with the reading of the minutes and to accept them as printed. The motion carried.

Board Chairman Mike Young gave a summary of HAPO's philosophy that value and strength is with the members. Mr. Young also mentioned that the staff has shown the highest level of commitment, bringing new perspective and ideas to support member relationships. Mr. Young introduced the Board of Directors.

President and CEO David Schulz gave the President's Report. Mr. Schulz talked about HAPO's growth, and how the core values have not changed over the years. He stated that HAPO always looks out for the best interest of the members. Mr. Schulz introduced HAPO's staff, spoke about HAPO's values and forecasted continued growth. The key objective is always the safety and soundness of the Credit Union.

Supervisory Committee Chairman Darrel Stafek introduced the members of the Supervisory Committee and gave a brief description of their duties. Mr. Stafek then read the Supervisory Committee Report. Mr. Stafek also informed the members of the addition of an Internal Audit Division. Mr. Stafek then read the Nominating Committee Report. Mr. Young read the Statement of Nomination and Declaration of General Consent.

Mr. Young asked if there was any unfinished business or new business and there was none. Mr. Young then turned the floor over to Mr. Schulz to answer questions from the members. Mr. Young introduced Cathy Clark and Bernadette Flynn for the drawing of the door prizes.

It was moved and seconded that the meeting be adjourned. The motion carried.

The meeting was adjourned at 8:11 p.m.



Mike Young
Chairman

CHAIRMAN'S MESSAGE

In 2008, HAPO Community Credit Union grew over \$100,000,000.00 in assets. This was an incredible feat of financial strength, particularly as we watched the change in economics for much of our country. In spite of the negative news beyond our community, I am happy to once again report that HAPO Community Credit Union continues in its history as a safe, sound, and secure financial institution.

Most of the financial turmoil currently going on in our country is due in large part to unsound investments and poor business practices. What continues to make the difference for HAPO is that our number one investment is in ourselves. The trust in and of, our own members. The voluntary members who make up the Board of Directors at HAPO work closely with the Executive Management team and share in the responsibility to keep our collective investment sound.

For the first time in its history, HAPO, along with all other natural person credit unions, has been challenged to look beyond the strength of our own financial institution and support the "corporate" credit union system. Our participation in a replenishment of the National Credit Union Share Insurance Fund, a portion of which was recently used to support two of the largest Corporate Credit Unions, does not significantly change our basic business philosophies. In spite of this unprecedented charge HAPO is required to pay, we remain adequately capitalized and fully confident we will continue to operate safely, meeting all regulatory requirements for the credit union.

I would like to recognize our credit union staff who works very hard each year to provide a level of service to the entire membership that is second to none. And I would like to thank our members who time and again have complimented individual staff for their service. On behalf of the Board of Directors, we are grateful for the wonderful relationship that exists.

Each year brings new opportunities and new choices for HAPO Community Credit Union. I am especially confident in this coming year that our Board and our Executive Management team and staff will continue to carefully weigh all of our policies and practices that have made us so successful and will ensure that we remain prudent. Our interest will always be your interest. Thank you for your membership.

For the Board of Directors,



Mike Young,
Chairman



SUPERVISORY COMMITTEE REPORT

In accordance with the Washington State Credit Union Act and the rules and regulations of the National Credit Union Administration (NCUA), the Supervisory Committee is required to "Perform or arrange for a complete annual audit of the credit union and a verification of members' accounts." To satisfy these requirements the Supervisory Committee contracted with our certified public accounting firm, Moss Adams, LLP, to perform an audit of our financial statements.

As a result of the audit, Moss Adams, LLP issued an *Independent Accountants' Report* of the credit union's financial statements as of and for the fiscal years ending June 30, 2008 and 2007. Their report included an unqualified opinion that those financial statements presented fairly, in all material respects, the credit union's financial position as of June 30, 2008 and 2007 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Supervisory Committee also approves the annual comprehensive internal audit plan and regularly meets with the credit union's internal audit team regarding the results of its activities.

The Supervisory Committee is here to serve as the oversight arm of the credit union, and Committee members are happy to answer questions. Members may contact the Committee confidentially or they may call any of the Committee members.

As Chairman of the Supervisory Committee during 2008, I wish to thank the other Committee members for their many hours of volunteer service during the past year, as well as HAPO's staff and management for their assistance.

Respectfully submitted,



Darrel Stafek
Chairman, Supervisory Committee

PRESIDENT'S MESSAGE

During these unprecedented and turbulent economic times for our country all Americans are deeply concerned about the safety of their financial investments. While we are blessed to live in a thriving economic area, the effects of the national economy and resultant uncertainties affect us all.

I am pleased to report to you that despite these troubling times during 2008 HAPO Community Credit Union had record growth and near record earnings. How is this possible? By using the same basic founding principals and values with which HAPO has brought service and value to its members for over 50 years. Primary among those principals is to "make loans that make sense." Our ability to continue a philosophy and a business strategy that is based on the concept of members borrowing members' money... and paying it back, continues to be the basis of our financial management strategy and our resultant success and profitability.

During 2008 HAPO continued to pay some of the highest dividend rates around to our members in the form of "Top Rate" certificate products and Money Market Accounts. In harmony with our business strategy, we continued to lend our members' money back to our members in the form of home loans, auto loans, credit cards, and other consumer loan products.

HAPO has and will continue to avoid the unsound business practices that have led to the collapse of many of the nation's financial markets. We will continue to help members obtain needed credit to assist in their everyday lives. We will continue to work with our borrowing members to evaluate their needs and their ability to repay, so that working with them, we can ensure that we make loans that "make good sense" for both the member and HAPO.

Despite these tough times it was my pleasure during 2008 to cut ribbons for grand openings at our new financial centers located in North Richland and South Kennewick as well our HAPO Mortgage office in Walla Walla. Early in 2009 we were also pleased to open up our second facility in Yakima located in Terrace Heights.

As HAPO's President, I am proud that our organization has been able to continue to expand and serve more members. I am proud of our staff and Board of Directors for continuing to embrace the values that not only keep us strong and safe but also ensure the highest quality service to our members.

On the national scene, even for credit unions, tough economic times lay ahead. Early in 2009 we have learned that two of the largest "Corporate" credit unions have had to come under conservatorship by the National Credit Union Administration (NCUA) because of their investment in so-called "toxic" mortgage backed securities. As most members know, credit unions are insured by the National Credit Union Share Insurance Fund. This fund is wholly supported by the entire system of federally insured credit unions. Because of the troubled nature of these two institutions, HAPO, along with all federally insured credit unions, will be required to make a substantial contribution from our retained earnings to replenish the Share Insurance Fund, which will be reflected in both the 2008 and 2009 financial statements. Even with this mandatory pro rata contribution, HAPO remains adequately capitalized and well-positioned to serve our members today and in the years to come.

We expect we have not seen or heard the last of challenging economic news for our country. Now more than ever, we encourage our membership to continue to look to HAPO to meet their financial needs. Our commitment to you remains strong.

Respectfully submitted,



David M. Schulz,
President/CEO



OFFICIALS

BOARD OF DIRECTORS

Mike Young – Chairman
William Tyler – Vice-Chairman
Ken Bays – Secretary
Ken Gale – Treasurer
Pete Carroll – Director
William Tanner – Director
William Clarke – Director

SUPERVISORY COMMITTEE

Darrel Stafek – Chairman
David Beach
Bill Phillips
Roy Renner

NOMINATING COMMITTEE

Darrel Stafek – Chairman
Leonard Davis
Ellen Kuklinski

EXECUTIVE STAFF

David Schulz – President / CEO
Steve Anderson – EVP / COO
John Schnellbach – SVP / CFO
Carolyn O’Niel – SVP / CTO



COMMITMENT TO MEMBERS

To set HAPO Community Credit Union
apart from other organizations,
we commit ourselves to focusing
our efforts on the one thing
most important to our success —
you... our members.



ELEVEN FINANCIAL CENTERS AND GROWING

Located in Richland, Kennewick, Pasco, Sunnyside, Yakima & Walla Walla.

RICHLAND - MAIN BRANCH

601 Williams Blvd.
Richland, WA 99354

RICHLAND - NORTH RICHLAND

2952 George Washington Way
Richland, WA 99354

RICHLAND - MEADOW SPRINGS

631 Gage Blvd.
Richland, WA 99352

KENNEWICK - UNION ST.

4 North Union
Kennewick, WA 99336

KENNEWICK - SOUTHRIDGE

4851 W. Hildebrand Blvd.
Kennewick, WA 99336

SUNNYSIDE - DOWNTOWN

322 South 6th Street
Sunnyside, WA 98944

PASCO - BY THE AIRPORT

2701 North 20th Ave
Pasco, WA 99301

PASCO - WEST PASCO / RD 68

4902 Road 68
Pasco, WA 99301

WALLA WALLA - DOWNTOWN

17 North 2nd
Walla Walla, WA 99362

YAKIMA - SUMMITVIEW

5800 Summitview Ave.
Yakima, WA 98908

YAKIMA - TERRACE HEIGHTS

3001 Stonewood Ct.
Yakima, WA 98901

MAIN LINE

509.943.5676

MORTGAGE DIVISION

509.946.2044

www.HAPO.org