



# 2022 Annual Member Meeting

## Agenda

- **Welcome** – Jack Lawson, President & CEO
- **Quorum Check and Call to Order** – Tony Boote, Board Chair
- **Approval of 2021 Annual Member Meeting Minutes** – Tony Boote, Board Chair
- **CEO Report** – Jack Lawson, President & CEO
- **Financial Report** – Don Creveling, Board Treasurer
- **Supervisory Committee Report** – Ryan Arthun, Supervisory Committee Chair
- **Board Elections** – Kelly Webster, Board Member
- **Old Business** – Tony Boote, Board Chair
- **New Business** – Tony Boote, Board Chair
- **Member Q&A**
- **Adjourn Business Meeting** – Tony Boote, Board Chair

# June 22, 2021, Annual Meeting Minutes

Jack Lawson, Clearwater's President & CEO, welcomed members to the virtual Annual Member Meeting. Jack explained various features available through the virtual platform including how members could reference the Member Packet, consisting of the agenda, written reports, financials, and 2020 Annual Meeting minutes. He introduced the Credit Union volunteers visible on the video call including Board Members Tony Boote, Glenda Bradshaw, Don Creveling, Leslie Halligan, Martha Newell, and Geoff Gilbert, and recognized Kelly Webster who was unable to attend. He also introduced the Supervisory Chair, Ryan Arthun. Jack acknowledged that we are on the aboriginal territories of the Salish and Kalispell people and honored the path they have set for caring for our land. He then announced that this year's Annual Meeting philanthropy would be a \$25,000 donation to the Community Food and Agriculture Coalition (CFAC), specifically the Double Snap Program. This program provides matching funds to people who use supplemental nutrition assistance programs, commonly known as food stamps, to purchase local fruits and vegetables, helping food insecure people as well as indirectly supporting the local farmers. Jack turned the meeting over to Board Chairman, Tony Boote, to begin the business meeting.

Tony turned to the evening's Registrar, Chief Operations Officer, Clint Summers, who confirmed a quorum was present with 134 members on the call. Tony then called the meeting to order at 5:38 PM. Tony confirmed the 2020 Annual Member Meeting minutes were distributed to members in the Member Packet and requested a motion to approve the minutes. Kyle Rholl MOVED to dispense with reading the minutes and approve them as presented. Heidi Hanson SECONDED. Tony asked for members to submit their vote through the virtual polling feature. Once submitted Tony confirmed a majority approval. MOTION CARRIED.

Tony turned the meeting back to Jack Lawson, to present the CEO Report. Jack highlighted that 2020 was an extraordinary year, as the Credit Union was affected by the public health and economic crises. Jack summarized the effects on members and co-workers, including trying to reach different member needs, and working through staffing challenges. Jack said that the Credit Union's mission- to be a force for good in banking, in the lives of our members, and in the communities we serve - was the anchor for all decisions. The focus was on: keeping members safe with minimal disruption, keeping co-workers safe and able to care for their families as well as fully employed, and setting an example of excellent corporate behavior in the community. Jack went on to highlight the strong financial performance with 2020 originations totaling \$76 million in consumer loans, \$43 million in business loans, and \$246 million in mortgage loans. He continued to highlight the field of membership expansion, the new branch opening in Butte, and giving 5.22% of net income to philanthropic activities. Jack thanked the Clearwater team for their hard work and thanked the members for their support.

Tony introduced Don Creveling, Board Treasurer, to present the Financial Report. Don invited members to view the Financial Report and the 2020 year-end financials in the Member Packet. Don reported that the Credit Union had extraordinary growth through 2020, with total assets growing by 33%. This growth was driven by member savings, not external borrowing. Loan balance growth was also strong, increasing by 32%, with the loan loss rate declining to 0.33%. As interest rates declined in the US economy, the Credit Union's net interest margin decreased to 2.95% in 2020. The net earnings were supported by operating expenses being well managed and having total income higher than expected. Don reported that even though net earnings were high, the net worth ratio declined to 9.02%. This decline was due to the high deposit growth during 2020 and the balance sheet expanding faster than the funds could be put into profitable use. He informed members that stabilizing the net worth ratio is a current strategic focus.

Tony then introduced Ryan Arthun, Chair of the Supervisory Committee. Ryan highlighted and thanked the other members of the committee Anne Lee, Geoff Badenoch, and Shirlee Walker. He then explained that the Supervisory Committee works on behalf of the membership to ensure that there is timely and accurate financial reporting, and to ensure the Credit Union practices and procedures safeguard member assets. They are assisted by the Credit Union Internal Audit department, which conducts routine audits and reports, as well as utilizes the services of the independent accounting firm, Moss Adams LLP, to perform an annual audit of Clearwater's financial statements and controls. Based upon Moss Adams' issuance of a clear opinion, internal reviews, and NCUA examination results, it is the opinion of the Supervisory Committee that the performance and condition of Clearwater is accurately reflected in the financial statements and that adequate internal controls exist to protect member accounts. Ryan encouraged members to contact the Committee if they have unresolved issues with the Credit Union. He also included that members can help prevent fraud by reviewing their accounting statements. He pointed members to the website and report for contact information.

Tony announced that Glenda Bradshaw, Board Secretary and Nominating Committee Chair, would present the Nominating Committee report. Glenda explained that the Clearwater Board of Directors is a seven-member volunteer Board that has staggered three-year terms. This year two positions reached the end of their term, Leslie Halligan and Don Creveling. Each expressed a desire to continue to serve and was then nominated by the Nominating Committee. The committee did not receive any additional nominations by petition. Therefore, the elections were not conducted by a vote, but declared by acclamation. Glenda thanked Don and Leslie for their willingness and expertise while serving on the Board.

Tony moved on to the next agenda items, which were Old Business and New Business, and as there were none, he moved the meeting to the Member Question and Answer segment. Tony explained the Q&A process on the virtual platform and opened for questions. The first member question came from Brandon Wasser, who asked if a feature could be added to the mobile app or website that would allow users to change their debit card limit outside of banking hours. Jack answered that this could most likely be solved as a technical problem, however there would need to be risk management policies to provide against fraud or loss. Mage Lee asked where the money saved on doing the meeting virtually went. Jack answered that the savings from not hosting an in-person celebration were donated to CFAC for the Double Snap program. Keegan Eisenstadt asked for the calculation to derive the net worth ratio. Jack referenced the balance sheet and summarized that the calculation is the net worth divided by total assets. David Gray commented that it would be nice if members could sign into different accounts using a fingerprint, as currently members are only able to sign into one on the mobile app. Jack answered that this is a question for the developers, but that it would be researched and circled back to. Sandy Mitchell asked when members would be able to see copies of their deposited items, such as checks, online or with printed statements. Jack answered that this project is currently under development and the timeline should be around the end of the year. Jennifer Patchen asked if Clearwater could modify camera settings in the app to allow the ability to deposit physically larger checks. Jack said he would reach out to the developers to see what they could do to rectify the problem. Stephe Novak asked if there was a plan to be in person for the annual meeting next year. Tony answered that the intention is to be in person next year, but this will depend on many factors including the status of the public health crisis. Peggy Nesbitt asked how Clearwater decided which organizations received philanthropy. Jack answered that the Board has approved a policy to give 5% of the current year's net income to local nonprofit agencies within the field of membership or Montana as a whole. There is a strategic document that guides the donations and Jack encouraged members to go to the website to view the guidelines. Clearwater has a small committee of three coworkers that processes the requests once a week. The committee focuses on the giving that falls into one of three buckets: protecting the environment, building inclusive economies, and empowering people. Kevin Lechner said that he tried to connect his bank account to Plaid, a payment process

service, and then asked if there was a reason this was not allowed. Jack answered that this is not a Clearwater policy, but instead on Plaid's end, but they would follow up to see if there was anything to be done. Sarah Rowley asked if the credit union could update the phone banking options for quicker access to information. Jack said he would work with Clearwater's Contact Center management to ensure the queue is set up as efficiently as possible. Alan Okagaki asked if Clearwater had any plans to establish new physical branches, or if they would go into the expanded field of membership virtually. Jack answered this question by stating there were presently no current concrete plans for new branches. While the Credit Union entered this year cautiously, Jack hopes to have a proposal to the board during the third quarter of this year. Alan also asked if there would be a need to recruit new board members from expanded geography. Tony took this question, and said the answer was yes, and they are currently working on the best way to do that. Linda Nentwig asked that if the annual meetings are in person in the future if they would still offer a Zoom option. Jack answered that the answer was to be determined. While in person is the tradition, the Zoom platform is potentially more inclusive, especially to accommodate members who are not local or cannot attend for other reasons. Christopher Johnson commented that he leads a team of volunteers who organize fundraisers for non-profits, and then asked if the credit union would support such fundraiser. Jack answered that the organization encourages volunteer activity and giving if it aligns with Clearwater's mission and values. He then answered that without more information it would be difficult to say for certain. Dacia Vollin commented how supportive the Clearwater staff was as her children set up accounts, however, her children only had their Tribal ID's and the staff member assisting them asked if they were American citizens. Dacia asked to make this a teachable moment and make staff aware that Tribal Identifications are valid. Jack thanked Dacia for bringing this to his attention. He said it is very important that procedural and training protocols are set up correctly and that this would be addressed immediately.

Before adjourning the meeting, Tony thanked management, the Board, and Supervisory Committee for their hard work during a difficult year, which produced exceptional financial results. He thanked members and encouraged them to give questions and feedback to the Board of Directors as they are representing the members. Tony then confirmed the conclusion of the business meeting and adjourned at 6:20 PM.

# CEO Report

Jack Lawson, President & CEO

Our mission is to be a force for good in banking, in the communities we serve, and in the lives of our members.

**Consumer Loan  
Originations**  
**\$87,890,000**



5,880 Loans

**Business Loan  
Originations**  
**\$49,300,000**



662 Loans



**Mortgage Loan  
Originations**  
**\$176,320,000**  
926 Loans



**Mortgage Servicing Portfolio**  
**\$504,000,000**  
3,000 Loans

**Philanthropy**  
**\$744,530**



5% of Net Income  
151 Organizations

\*Excludes income from  
CDFI Fund awards.



**Empowering People**  
**\$267,908**



**Protecting the Planet**  
**\$114,947**



**Building Inclusive Economies**  
**\$361,675**

# Financial Report

Don Creveling, Board Treasurer

## Signs of Continued Growth

At year-end 2020, we reported record-breaking asset growth of 33% and record deposit growth of 36%. 2021 was also a year of continuous growth. Total assets closed the year 16% greater than what we saw in 2020 and as in 2020, balance sheet growth continued to be driven by increasing internal member saving, not external borrowing. Total member deposits grew by \$111 million, or 17% on the year. We continued to meet our members lending needs, with total loan balances increasing by \$94 million, or 22%.

## Asset Quality

We also continue to have historically high credit quality. As the size and complexity of the loan portfolio has grown, we have been careful to help members into loans appropriate to their circumstances. The credit union's loan loss rate (actual losses) plus its delinquency rate (loans that are paying late) declined again from 0.31% in 2020 to 0.12% in 2021. We continue to be well reserved for potential credit issues.

## Earnings

The credit union's net earnings performance also continues to be strong. The credit union's net interest margin decreased from 2.95% in 2020 to 2.75% in 2021. But several items contributed to a very strong return on assets of 2.05% in 2021. First, operating expenses were well managed and decreased relative to total assets again. Second, members returned to normal spending habits in 2021 and Clearwater's interchange income increased accordingly. Third, we realized a large gain on sales of several bonds from our securities portfolio. Finally, we were awarded a large award from the CDFI Fund in the amount of \$1.8 million.

## Net Worth

The strong earnings in 2021 led to an increasing net worth to total asset ratio. The ratio ended 2021 at 9.79%, up from 9.02% in 2020. Another contributor to the increase in the ratio was secondary capital. Secondary capital is an uninsured deposit by another organization that is included in the net worth calculation. The U.S. Treasury will also place secondary capital at Clearwater sometime in 2022. This will further bolster the net worth ratio back to pre-pandemic levels.

	2017	2018	2019	2020	2021
<b>Net Charge Off + Delinquency Ratio</b>	1.62%	0.90%	0.53%	0.33%	0.13%
<b>Net Interest Margin</b>	3.09%	3.28%	3.46%	2.95%	2.75%
<b>Return on Average Assets</b>	85 bps	1.33 bps	1.06 bps	98 bps	205 bps
<b>Net Worth Ratio</b>	9.88%	10.63%	10.89%	9.02%	9.79%

# Balance Sheet

	2020	2021	% Change
Loans	414,157,312	507,979,168	23%
Investments	297,565,267	327,838,148	10%
Other Assets	41,037,883	38,656,298	-6%
<b>Total Assets</b>	<b>752,760,462</b>	<b>874,473,613</b>	<b>16%</b>
<b>Total Liabilities</b>	<b>9,816,447</b>	<b>12,112,156</b>	<b>23%</b>
Savings	372,120,679	460,524,162	24%
Checking	237,504,845	273,731,236	15%
Certificates	55,449,826	42,225,751	-24%
<b>Total Deposits</b>	<b>665,075,350</b>	<b>776,481,149</b>	<b>17%</b>
Net Worth	67,933,284	85,635,818	26%
Unrealized Gain/Loss	9,935,380	244,490	-98%
<b>Total Equity</b>	<b>77,868,664</b>	<b>85,880,308</b>	<b>10%</b>
<b>Total Liabilities, Deposits, &amp; Equity</b>	<b>752,760,462</b>	<b>874,473,613</b>	<b>16%</b>

# Income Statement

Interest Income	2020	2021	% Change
Loan Interest	16,272,678	19,964,700	23%
Investment Interest	4,984,870	3,718,284	-25%
<b>Total Interest Income</b>	<b>21,257,548</b>	<b>23,682,984</b>	<b>11%</b>
<b>Interest Expense</b>			
Interest Paid to Members	1,634,088	1,117,833	-32%
Interest on Borrowed Funds	182,452	153,914	-16%
<b>Total Interest Expense</b>	<b>1,816,540</b>	<b>1,271,747</b>	<b>-30%</b>
Net Interest Income	19,441,008	22,411,237	15%
Provision for Loan Loss (PLL)	2,454,117	533,173	-78%
Net Interest Income After PLL	16,986,891	21,878,064	29%
<b>Other Operating Income</b>	<b>10,974,098</b>	<b>12,088,323</b>	<b>10%</b>
<b>Operating Expenses</b>			
Compensation & Benefits	12,749,535	12,562,730	-1%
Office Occupancy	1,482,596	1,591,843	7%
Office Operations	3,462,641	3,360,681	-3%
Educational/Promotional	765,991	865,202	13%
Loan Servicing	911,093	1,141,062	25%
Professional Services	2,985,369	2,966,013	-1%
NCUA Operating Fee	153,772	138,347	-10%
Other Expenses	839,067	1,384,316	65%
<b>Operating Expenses</b>	<b>23,350,065</b>	<b>24,010,193</b>	<b>3%</b>
<b>Non-Operating Income (Expense)</b>	<b>1,819,799</b>	<b>6,746,340</b>	<b>271%</b>
<b>Net Income</b>	<b>6,430,724</b>	<b>16,792,535</b>	<b>160%</b>

# Supervisory Committee Report

Ryan Arthun, Supervisory Committee Chair

## The Supervisory Committee works on behalf of members to ensure:

1. That there is timely and accurate financial reporting; and,
2. That credit union practices and procedures safeguard member assets.

The Committee is assisted by Clearwater's Internal Audit team, which conducts routine audits and reports the results to the Committee throughout the year. The Committee also retains the services of an independent accounting firm, Moss Adams LLP, to perform a comprehensive annual audit of Clearwater's financial statements and controls.

Based upon Moss Adams issuance of a "clean opinion," internal reviews, and results of the NCUA examination, it is the opinion of the Supervisory Committee that the performance and condition of Clearwater are accurately reflected on the financial statement and that adequate internal controls exist to protect member accounts.

We encourage credit union members to contact the Committee regarding unresolved problems, missing statements, and accounting discrepancies. We also ask members to share the responsibility to prevent fraud and theft by carefully reviewing their account statements.

Contact information is located on the credit union's website. Our email address is: [supervisorycommittee@clearwatercreditunion.org](mailto:supervisorycommittee@clearwatercreditunion.org).

## Supervisory Committee Members

- Ryan Arthun, Chair
- Shirlee Walker
- Ann Lee
- Geoff Badenoch

# Nominating Committee Report

## Kelly Webster, Board Nominating Committee Member

The Board's Nominating Committee is responsible for nominating candidates to fill vacant positions on the credit union's Board of Directors as a result of expiring terms or mid-term departures. Directors serve 3-year terms. Those terms are staggered so that at least one position is up for election each year.

In 2022 three positions are up for election. Incumbents Geoff Gilbert and JJ Adams, who was appointed to the Board in February 2022 to fill a mid-term vacancy, and a proposed new Director, Mike Kadas, were nominated by the Nominating Committee to fill these three positions.

Credit union members were notified of these nominations in the April 4, 2022, statement mailing and, on the Clearwater website, and members were invited to run, by way of petition, if interested. No nominations by petition were received by the May 9, 2022, deadline. The elections therefore do not require a vote, and instead will be declared by acclamation. Nominations from the floor are not accepted at the Annual Meeting.

## Nominee Statements and Biographies

### Geoff Gilbert

Geoff Gilbert has been a member of the credit union since 1991. He has served on the Board since 2019. Trained as a geologist, Geoff later became a Chartered Financial Analyst. He founded Inukshuk Investments, a small business located in Missoula, where he works as an Investment Manager.

### JJ Adams

JJ Adams has been a member of the credit union since 2011. He is currently the co-owner of the Finlen Hotel in Butte, MT and has professional experience in farming, real estate, economic development, and statewide public service. He received his MBA at the University of Montana College of Business and spent time as an Assistant Professor at Montana Tech University.

### Mike Kadas

Mike Kadas has been a member for the last 35 years. Mike worked as Director of the Montana Department of Revenue from 2013 to 2018. He was the Mayor of Missoula from 1996 to 2006. Mike has also served on many Boards, most recently the Federation of Tax Administrators, the Multistate Tax Commission, and the Montana Budget and Policy Center.