

ANNUAL REPORT

**sound
credit
union**



Invested in We[®]

2023

sound credit union



President/CEO & Board Chair Report

On behalf of the Board of Directors, our Executive Management team, and the entire team at Sound Credit Union (Sound), we are pleased to share highlights from our successful year in 2023. Despite economic fluctuations, our commitment to prioritizing our members' needs and delivering exceptional service has enabled us to achieve balanced, responsible growth.

BALANCED, RESPONSIBLE GROWTH

In a challenging economic environment characterized by rising costs and higher interest rates, Sound Credit Union navigated these obstacles by adhering to prudent lending practices and effective cost management. Our efforts resulted in generating \$21.2 million in net income and achieving a 0.76% return on average assets. Maintaining a capital ratio above 10%, along with

employees pooling their resources to help others like them borrow and save. Today, our commitment to fostering financial empowerment and supporting our community remains unwavering.



8,600+ Members

Joined Sound Credit Union in 2023

effectively meeting the financial needs of our members and staff, underscore our dedication to sound financial management.

MEMBERS-FIRST FOCUS & COMMUNITY INVOLVEMENT

Rooted in a legacy dating back to our inception in 1940, Sound was founded by a group of telephone



Purpose Driven

Members. Employees. Community.



570+ Students

Attended Sound workshops in 2023

Education serves as a cornerstone of this commitment, with 30 workshops and educational events organized in 2023, including the meaningful Bite of Reality program benefiting over 570 middle and high school students. By imparting essential lessons on responsible financial habits, we aim to empower individuals with the confidence to make informed decisions throughout their lives.



10k+ Certificates

Opened by Sound members in 2023

Ensuring access to financial resources is equally vital in promoting financial well-being. Consequently, through personalized service and digital platforms, Sound Credit Union funded nearly 18,000 loans

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President/CEO & Board Chair Report

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and opened over 10,000 certificates of deposit to support members in achieving their goals. Our priority lies in providing secure and responsible financial solutions that cater to the diverse needs of our members.

SERVICE EXCELLENCE

At Sound Credit Union, we are dedicated to enhancing the member experience through

technology and training initiatives have improved digital interactions, reduced Contact Center wait times, and bolstered branch capabilities in delivering transactional services and financial guidance. As a result of these efforts, our member Net Promoter Score (NPS) grew to 57 points in 2023 (exceeding the industry average of 30), reflecting our ongoing commitment to service excellence.

LOOKING AHEAD

Sound Credit Union remains steadfast in its commitment to fostering sustainable, growth-oriented practices for the benefit of our members and the community. We extend our heartfelt gratitude for the trust and support you have placed in us as we navigate these uncertain times together. Thank you for choosing to be a part of the Sound family.

Digital Interactions
Increased in 2023. Lower wait times.

seamless, informative, and engaging interactions across all touch-points. Significant investments in



DON L. CLARK, JR.
PRESIDENT/CEO



SHELLEY R. COLEMAN
CHAIR, BOARD OF DIRECTORS



Audit Committee Report

The Audit Committee's responsibilities include monitoring the financial safety and soundness of Sound Credit Union and compliance with various financial and regulatory requirements. The Committee meets regularly to, among other things, review internal audit reports, compliance and risk management reports, and examination reports issued by regulatory agencies.

To fulfill these obligations, the Audit Committee engaged the independent audit firm, Moss Adams LLP, which directly reports to the Committee, to conduct the annual audit of the credit union for the year ending December 31, 2023. Moss Adams issued an unqualified opinion and determined the financial statements of Sound Credit Union were presented fairly, in all material aspects, as of December 31, 2023.

The National Credit Union Administration and the State of Washington, Department of Financial Institutions, Division of Credit Unions conducted a joint examination for the period ending September 30, 2023. Their findings reflect a high rating for strong performance and safe and sound practices and operations.

The Audit Committee is pleased with the reports from the internal auditor, external audits, and regulatory compliance. We wish to thank the members, Board of Directors, and employees for their cooperation in helping us carry out our duties and responsibilities and will continue to work with management to ensure an effective internal audit program.



JAMES W. GRIGGS
CHAIR, AUDIT COMMITTEE

2023 Annual Report

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Income & Expense

Consolidated statement for year-end 2023.

| | 2023 | 2022 |
|---------------------------------|---------------------|---------------------|
| Income | | |
| Interest on Loans | 106,289,447 | 79,849,462 |
| Income from Investments | 12,495,220 | 6,326,103 |
| Total Interest Income | *118,784,667 | *86,175,565 |
| Less: Dividend Expense | 28,088,708 | 5,694,054 |
| Less: Interest on Borrowings | 6,075,736 | 940,867 |
| Net Interest Income | *84,620,223 | *79,540,644 |
| Non-Interest Income | 32,300,553 | 32,217,118 |
| Income from Operations | *116,920,776 | *111,757,762 |
| Expenses | | |
| Employee Salaries and Benefits | 41,045,647 | 40,172,384 |
| Travel and Conference | 580,000 | 203,624 |
| Office Occupancy | 5,453,004 | 3,973,154 |
| Office Operations | 15,745,190 | 14,295,132 |
| Marketing | 2,064,898 | 3,601,050 |
| Loan Servicing | 9,271,326 | 8,925,832 |
| Professional/Outside Services | 3,853,533 | 3,334,439 |
| Operating Fees | 163,804 | 182,337 |
| Provision Expense | 11,036,290 | 7,914,562 |
| Miscellaneous Operating Expense | 7,161,479 | 6,543,532 |
| Total Operating Expenses | *96,375,171 | *89,146,046 |
| Non-Operating Income (Expense) | 693,976 | 617,000 |
| Net Income | *21,239,581 | *21,994,716 |

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Financial Condition

Consolidated statement for year-end 2023.

| | Figures in (000's) | |
|---------------------------------------|--------------------|--------------------|
| | 2023 | 2022 |
| Assets | | |
| Loans | 2,225,509 | 2,086,675 |
| Allowance for Loan Losses | (19,048) | (12,744) |
| Net Loans | \$2,206,461 | \$2,073,931 |
| Cash & Cash Equivalents | 277,741 | 175,858 |
| Investments | 289,807 | 315,824 |
| Premises and Equipment | 55,393 | 56,192 |
| Other Assets | 80,965 | 77,381 |
| Total Assets | \$2,910,367 | \$2,699,186 |
| Liabilities & Equity | | |
| Borrowings | 141,519 | 81,582 |
| Other Liabilities | 40,740 | 39,950 |
| Total Liabilities | \$182,259 | \$121,532 |
| Savings | 713,360 | 906,196 |
| Checking | 552,952 | 591,442 |
| Money Market | 438,864 | 458,315 |
| Certificate Accounts | 671,109 | 287,383 |
| IRAs | 63,226 | 65,788 |
| Total Deposits | \$2,439,511 | \$2,309,124 |
| Total Equity | 288,597 | 268,530 |
| Total Liabilities & Equity | \$2,910,367 | \$2,699,186 |

Insured by NCUA. Equal Housing Opportunity.

Figures are audited. Financial statements, as of December 31, 2023, are available at Sound Credit Union's corporate office in Tacoma, WA. Created May 2024.



Board of Directors

Shelley R. Coleman, Chair

John H. Bauder, Vice Chair

Barry J. Wallis, Secretary/Treasurer

Haluk Demirkan, Ph. D.

Brenda M. Goodson-Moore

James W. Griggs CPA

Altaf G. Merchant, Ph. D.

Terry Pentimonti CPA

David J. Wasson

Audit Committee

James W. Griggs CPA, Chair

Haluk Demirkan, Ph. D.

Terry Pentimonti CPA