

## Board of Directors



**HUGH RAFFERTY**  
Chairman



**RICK VELASCO**  
1st Vice Chairman



**BILL ANDERS**  
2nd Vice Chairman



**CHUCK SCHEITHAUER**  
Treasurer



**SHIRLEEN SLADEK**  
Secretary



**KRIS ANDREWS**  
Director



**BRUCE COGGIN**  
Director



**DAVE RICHARDSON**  
Director



**ROGER WELT**  
Director

## Supervisory Committee



**DARRELL GABEL**  
Chairman



**PETE MOELLER**  
Member



**LARRY GOOCH**  
Member



**KATE GRIFFITH**  
Member



**DAVID "DT" THOMPSON**  
Member

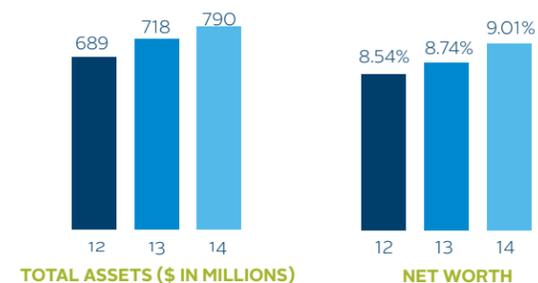
## Condensed Financial Statements (Audited)

ASSETS	2013	2014
Loans to Members, Net	\$644,780,287	\$718,046,731
Cash & Cash Equivalents	17,745,058	16,590,921
Investments	27,206,927	25,756,243
Property & Equipment, Net	14,250,647	13,672,421
Accrued Interest Receivable	2,034,250	2,226,603
Share Insurance Deposits	6,032,776	6,244,096
Other Assets	5,659,045	7,001,828
<b>Total Assets</b>	<b>\$717,708,990</b>	<b>\$789,538,843</b>

LIABILITIES & MEMBERS' EQUITY	2013	2014
Accounts Payable & Other Liabilities	\$45,537,906	\$75,210,017
Members' Shares and Savings	609,451,213	643,215,490
Retained Earnings & Reserve	62,719,871	71,113,336
<b>Total Liabilities &amp; Equity</b>	<b>\$717,708,990</b>	<b>\$789,538,843</b>

INCOME	2013	2014
Interest on Loans to Members	\$26,738,458	\$30,236,989
Investment Income	934,581	859,812
Other Income	12,347,705	11,623,687
<b>Total Income</b>	<b>40,020,744</b>	<b>42,720,488</b>

EXPENSES	2013	2014
Dividends on Members' Shares & Savings	2,938,942	3,045,056
Salaries & Benefits	14,260,530	14,867,397
Operations	11,332,255	11,935,949
Occupancy	2,015,320	2,105,902
Interest on Borrowed Funds	765,388	946,469
Loss on Disposition of Assets	100,000	-
Share Insurance Assessments	401,037	-
Provision for Loan Losses	2,987,977	1,953,139
<b>Total Expenses</b>	<b>34,801,449</b>	<b>34,853,912</b>
<b>Net Income</b>	<b>\$5,219,295</b>	<b>\$7,866,576</b>



Financial statements as of December 31, 2014



# 2014 Annual Report



**CoastHills**  
Another great day.

“We know that whenever we help a member achieve a financial goal, it truly is another great day.”



**HUGH RAFFERTY**  
Chairman,  
Board of Directors



**JEFF YORK**  
President/CEO

## CHAIRMAN'S AND PRESIDENT'S REPORT

### Change is Good, Growth Essential.

Every year, your Credit Union lives its vision of making a difference in our neighbors' lives. In 2014, we achieved a milestone that will shape the lives of our neighbors along the entire Central Coast for decades to come.

As of July 29th, we became a State chartered Credit Union. That means we are now able to serve members in five counties from the southernmost boundary of Ventura County through the northernmost boundary of Santa Cruz County.

The process of changing our charter and expanding our potential field of membership represented what is strong and unique about the credit union industry. We presented our members with both the positive aspects of a new charter and the challenges we could face. Then, we asked for your approval. The fact that you, our member owners, participated in the approval process speaks to the core of credit unions: One member, one vote. In the end, your approval will serve as the catalyst to our future.

It is a common question asked: Why do we have to grow? The question has many answers, but succinctly, we must. The financial industry and the way people do their banking are both changing at such a rapid pace, we must have the resources to stay ahead in the game. That means investment in technology that will provide the types of products and delivery channels our members and potential new members demand. Plus, we must be leaders in protecting our members from the challenges of fraud and ID theft with products, services, and communication that delivers peace of mind to you. Our growth will also enable the efficiencies required to navigate through the rising tide of regulation.

Our financial strength rose once again in 2014, as we further distanced ourselves from the financial industry crisis of six years ago. Our highly competitive lending solutions and highly efficient processing systems allowed us to achieve an 11.36 percent growth in loans. In fact, we have established ourselves as one of the top five financial institutions in automobile lending in our new five county field of membership in the first five months since our charter change. That was achieved without any branches south of Lompoc, or north of Paso Robles.

We achieved asset growth of 10.01 percent, finishing the year with \$789.5 million in total assets. With the potential that surrounds us in our new five county footprint, we know that this is just the beginning.

Our strategic direction in 2015 and beyond is to become the most recognized financial institution throughout the entire Central Coast. We are deeply committed to guiding our members, both existing and new, to achieve their financial goals, and helping the communities we serve to grow and prosper. We will deliver high touch and responsive service for those of you who have been with us for decades, as well as those who are just becoming part of our financial family through your very first loan.

We will target the type of business and member relationships that truly are relationship-driven, members who rely on us for the financial expertise we can provide, and who will provide us with their trust and “all in” commitment. We must earn that commitment, especially as we expand into areas where our awareness and reputation have yet to be established.

We worked to solidify our brand in 2014, centering on the values of vibrant, genuine, open, and dedicated. Hopefully, you as members feel those values every time and in every way you come in contact with us. Our new tagline, “Another great day,” speaks to what living here on the Central Coast is all about. But it doesn't just speak to our enviable lifestyle. We know that whenever we help a member achieve a financial goal, it truly is Another great day.

*On behalf of our dedicated staff and volunteers, it is an honor and a privilege to provide leadership for your Credit Union.*



## TREASURER'S REPORT

The 2014 financial statements accompanying this annual report reflect the period of January 1, 2014 through December 31, 2014. Your Credit Union finished the year with a positive net income of more than \$7.8 million, which is an increase in net income of 50.72 percent from 2013. We ended at \$789.5 million in assets, an annual increase of more than \$71 million, or 10.01 percent.

We also saw an increase in loans to members of more than \$73.2 million, which represents our strong commitment to lending money throughout our field of membership. Our net worth ratio, a key measure of financial security, was at 9.01 percent, which indicates that we are well capitalized as we move into 2015.

The 2014 audit results from CliftonLarsonAllen LLP, Certified Public Accountants and the examination by the National Credit Union Administration (NCUA), our federal regulator, found no material weaknesses in the manner in which we operate your Credit Union. Now that we are operating under a state charter, we will be regulated by the State of California's Department of Business Oversight in addition to the NCUA. Member deposits are still insured up to \$250,000 per member by the NCUA.

Our significant loan growth was achieved through diversified lending, including home mortgages, credit cards, auto loans, and business loans. We can attribute our across-the-board lending strength to efficient systems, underwriting expertise, competitive rates, and the willingness to find lending solutions. Plus, we have already made an impact in the new counties we serve with aggressive growth in auto lending.

As a shareholder and member-owner of CoastHills, you can feel confident and secure about your Credit Union's future viability and ability to make a difference in our neighbors' lives.

I wish to thank all of the CoastHills employees and volunteers for their outstanding achievements in 2014, and for the outstanding service we continue to provide our members throughout all of the communities we serve.

**ARTHUR “CHUCK” SCHEITHAUER**  
Treasurer, Board of Directors.

## SUPERVISORY COMMITTEE REPORT

The CoastHills Supervisory Committee consists of five Credit Union members who volunteer their time to help make your Credit Union a safe and viable place for our members to manage their financial affairs.

### THE COMMITTEE HAS TWO PRIMARY RESPONSIBILITIES:

- 1) Ensure that management's financial reporting objectives have been met.
- 2) Ensure management practices and procedures safeguard members' assets.

Several actions were taken in 2014 to meet these responsibilities. The committee employed CliftonLarsonAllen, LLP, Certified Public Accountants, to perform an audit covering the period of January 1, 2014 through December 31, 2014. They reviewed the structure of the Credit Union's internal controls and verified the accuracy of the Credit Union's records. To remain abreast of Credit Union activities, all committee members attended monthly board meetings, our annual strategic planning session, education seminars, annual financial training, and conducted monthly meetings with the CEO and other senior leadership officers.

On behalf of the Supervisory Committee, I am pleased to report to the members that all audits confirm the safety and soundness of the Credit Union's financial position.

**DARRELL GABEL**  
Chairman, Supervisory Committee

“We ended at \$789.5 million in assets, an annual increase of more than \$71 million, or 10.01 percent.”

