

F&A Federal Credit Union
2019 ANNUAL REPORT

REFOCUS ON SERVICE



**F&A Federal
Credit Union**
For Them it's Business,
For Us it's Personal



Theresa Barrera,
Chair of the Board



Tim Green,
CEO/President

CHAIR/CEO REPORT

On behalf of our Board of Directors and Credit Union staff, I am pleased to present our Annual Report for the year ended December 31, 2019.

F&A Federal Credit Union continues to be one of the most financially sound credit unions in the country, with one of the highest capital and efficiency ratios in comparison to credit unions over \$1 billion in the nation. Our last audits by an independent CPA firm and federal examiner, National Credit Union Administration (NCUA), continues to validate that F&A is a safe and secure financial institution.

Highlights from 2019 include extending more than \$127 million in new consumer and real estate loans to members, increasing net loans by nearly 10%. F&A was again given top honors and ranked Five Stars by independent financial research firm Bauer Financial. S&P Global Intelligence also ranked F&A as one of the top 50 credit unions in the U.S. F&A has created a renewed focus on developing solutions to meet the lending needs of the membership. Each loan is an opportunity to add value in the lives of the members and we want to make sure F&A is there to make that difference. We continue to offer great value in our deposit products, with F&A ranking in the top ten nationally in dividends per member. We are focused on ensuring we continue to meet the digital needs of the membership and are pleased to report we upgraded the home and mobile platforms during the year to create an improved look and feel. We also added both Google and Android Pay, ensuring we continue to meet the evolving needs of the membership.

There are even more exciting things to come this year. We are focused on one word in 2020: SERVICE. That means improving all aspects of service to the membership including:

- Advancing the lending process to include new online real estate and consumer application portals and processes
- Allowing members to apply for loans in the way that is most convenient for them
- Reviewing all member touch points with the goal of ensuring F&A makes it simple for the membership to do business with us

These initiatives will ensure F&A continues to evolve to meet the ever-changing needs of the membership while we continue to offer the lowest fees, best loan rates and some of the highest dividend rates in the country. F&A is committed to working everyday to create value in our members lives, and we expect 2020 to continue to build on the great foundation that has already been established.

On behalf of the Board of Directors, we thank you for your continued support and trust in F&A Federal Credit Union.

Theresa Barrera,
Chair of the Board

Tim Green,
CEO/President



Pablo Valadez,
Supervisory Committee Chair

SUPERVISORY COMMITTEE REPORT

The Supervisory Committee is composed of five volunteer members appointed by the Board of Directors. The Supervisory Committee performs internal audit functions and works independently, subject to the Federal Credit Union Act and by F&A bylaws.

The Supervisory Committee, with the assistance and cooperation of management, developed an audit plan emphasizing the testing of internal controls and assuring compliance with applicable laws, rules, and accounting practices. In order to properly implement this plan, the Supervisory Committee engaged the accounting firm of Turner, Warren, Hwang & Conrad to perform the independent external audit of the Credit Union's financial statements. The accounting firm's report expressed the opinion that F&A Federal Credit Union's financial statements were fairly presented in all material respects.

Based on the review of the independent external audit, and the NCUA examination, I am pleased to report that it is the opinion of your Supervisory Committee that the Credit Union's policies and procedures, as well as management's practices, are sound, and that F&A Federal Credit Union continues to perform well compared to other credit unions.

I very much appreciate the contributions of my fellow members of the Supervisory Committee: Michael Carnes, Margaret Kanishock, J. Lopez and Michael Takeshita. They join me in expressing our gratitude to the Credit Union Board of Directors, management, and staff for their dedication in ensuring that F&A Federal Credit Union remains a safe and sound institution.

Pablo Valadez,
Supervisory Committee Chairman

2019 FINANCIAL STATEMENTS

**F&A Federal Credit Union
Statement of Financial Condition
At December 31, 2019 (Unaudited)**

Assets	
Loans to members	\$ 341,276,113
(Less) Allowance for loan losses	<u>(1,226,289)</u>
Total net loans to members	340,049,824
Cash and cash equivalents	\$ 92,571,675
Investments:	
Securities available for sale	\$1,216,837,224
Securities held to maturity	57,959,403
Other	<u>15,365,107</u>
Total investments	1,290,161,734
Accrued interest on loans	\$ 781,801
Accrued interest on investments	3,915,240
Land and building, net of depreciation	8,370,342
Other fixed assets, net of depreciation	696,314
National CU Share Insurance Fund deposit	13,220,272
Other assets	<u>2,957,478</u>
Total Assets	<u>\$1,752,724,680</u>
Liabilities, Member Deposits and Equity	
Accounts payable and other liabilities	\$ 8,523,687
Member Shares:	
Regular shares	\$ 237,343,617
Share drafts	186,729,113
Money market accounts	592,989,025
Share certificates	364,971,172
IRA shares and certificates	<u>78,347,320</u>
Total member share accounts	1,460,380,246
Member Equity:	
Regular reserves	\$ 15,021,792
Undivided earnings	263,445,627
Accumulated other comprehensive gain	4,803,701
Capital arising from acquisition	<u>549,627</u>
Total members' equity	283,820,746
Total Liabilities, Member Deposits and Equity	<u>\$1,752,724,680</u>

**F&A Federal Credit Union
Statement of Income & Expense
For the Year Ended December 31, 2019 (Unaudited)**

Interest Income	
Loan receivable	\$ 14,226,740
Interest-bearing accounts and investments	<u>32,111,359</u>
Total interest income	46,338,099
Interest Expense	
Members' share accounts	\$ 19,375,143
Borrowed funds	<u>1,188</u>
Total interest expense	19,376,331
Provision for Loan Losses	<u>\$ 383,538</u>
Net Interest Income after Provision for Loan Loss	\$ 26,578,230
Non-Interest Income	
Non-Operating Gains	\$ 5,474,614
	10,836
Non-Interest Expense	<u>17,288,508</u>
Net Income	<u>\$ 14,775,173</u>

F&A Federal Credit Union's capital ratio increased to 15.92%, as of December 31, 2019, from 15.90%, as of December 31, 2018. We remain one of the financially strongest credit unions in the country, which continues our ability to support and serve our members and to provide us with the necessary protection against unforeseen risks.

In 2019, the Credit Union paid out 37.39% of our gross income to our members in the form of dividends, an increase from the 33.36% paid out in 2018. Our return on assets of 0.87% in 2019 remains strong and demonstrates our ongoing ability to generate favorable returns for our members.

As of December 31, 2019, our total assets grew to \$1,752,724,680, an increase of 5.49% from the prior year's total. Member loans grew 9.90% in 2019 and member share deposits increased by 3.48% in 2019. With net income of \$14,775,173 for the year ending December 31, 2019, our members' net worth increased by 5.94% from December 31, 2018. We remain committed to providing our members with low loan rates and minimal fees while maintaining very high dividend rates on share deposits.

BOARD OF DIRECTORS



Theresa Barrera,
Board Chair



Mary Gutierrez,
Vice Chair



Richard Russell,
Secretary/
Treasurer



William "Blackie"
Blackburn,
Board Member



Ed Dahlen,
Board Member



Andy Doyle,
Board Member



Robert Heinzl,
Board Member



Michael F. Idol,
Board Member



Van Mark Madrigal,
Board Member

SUPERVISORY COMMITTEE



Pablo Valadez,
Supervisory
Committee Chair



Michael Carnes,
Supervisory
Committee Member



Margaret Kanishock,
Supervisory
Committee Member



J. Lopez,
Supervisory
Committee Member



Mike Takeshita,
Supervisory
Committee Member

SENIOR MANAGEMENT



Tim Green,
President/Chief
Executive Officer



Michael Harden,
EVP/Chief
Investment Officer



Pam Chick,
SVP/Chief
Electronic
Services Officer



Michelle Swauger,
SVP/Chief Human
Resources
Officer



Mike Welch,
SVP/Chief
Lending Officer



Yong Whang,
SVP/Chief
Technology
Officer

MISSION AND VISION

To provide our members with the highest quality service on a wide range of products and services, continue our competitive status and remain on the leading edge of technology while maintaining a sound financial position.

For our members we commit to:

- Continually consult with them in order to provide quality products and services that focus on their needs
- Assist them in achieving success through a wide range of products and services
- Outperform the marketplace in innovation, creativity and performance
- Maintain our integrity and respect for all people



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Insured by **NCUA**

