

F&A Federal Credit Union
2020 ANNUAL REPORT

PERSONALIZED SERVICE AND
EXCEPTIONAL VALUE SINCE 1936



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



Theresa Barrera
Chair, Board of Directors



Tim Green
President/CEO

CHAIR/CEO REPORT

On behalf of F&A Federal Credit Union's Board of Directors and staff, we are pleased to present our Annual Report for the year ended December 31, 2020.

The year 2020 will be remembered as one of the most challenging years in history. In mid-March the World Health Organization declared the novel coronavirus (COVID-19) outbreak a global pandemic. Member's everyday lives were significantly impacted, and F&A responded by offering Assistance Loans to members in need. As of December 31, 2020, we extended more than 600 Assistance Loans totaling nearly \$3MM. As the coronavirus spread across the United States, the F&A management team moved quickly to protect the health and safety of our employees and members by moving a majority of our office staff to remote work and retrofitting our main branch with protective barriers to reduce the possibility of exposure. Throughout the year, F&A employees continued to provide essential financial services to our membership, even during the most difficult and uncertain times.

Despite the challenges our nation faced in 2020, we are pleased to report that F&A continues to be one of the most financially sound credit unions in the country, ending the year with nearly \$2.1B in assets. We maintain one of the highest capital ratios and the lowest efficiency ratios for credit unions over \$1B in assets. That means your credit union is one of the safest and most efficient credit unions in the United States, allowing us to consistently pay higher dividends, offer great loan rates, and charge almost no fees to our members. Independent financial research firm, Bauer Financial, once again awarded F&A with top honors and ranked us Five Stars for our financial strength.

Our latest audits conducted by independent CPA firm Turner, Warren, Hwang & Conrad, and federal examiner National Credit Union Administration, validate that F&A is a safe and secure financial institution.

In 2020 F&A introduced new solutions to meet the lending needs of our membership more efficiently. The successful implementation of our online loan systems resulted in a record-breaking year for F&A, with more than \$284MM in new consumer and real estate loans extended to members, increasing net loans by nearly 37%.

F&A members can trust their Credit Union to return industry-leading value in our deposit products. In fact, Raddon Performance Analytics ranks F&A in the 100th percentile for deposit value compared with our credit union peers.

F&A remains committed to providing personalized service and delivering exceptional value to our members. In 2021 we will continue to build on the strong foundation that has been established over the past 85 years. We will embark on a digital transformation to modernize and improve the quality of our online and mobile banking channels, while continuing to strive for service excellence.

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

Theresa Barrera
Chair, Board of Directors

Tim Green
President/CEO



Pablo Valadez
Chair, Supervisory Committee

SUPERVISORY COMMITTEE REPORT

Your Supervisory Committee is composed of five volunteer members appointed by the Board of Directors. The Committee is charged with representing the members' interests and validating the results of operations each year.

The Supervisory Committee, with the assistance and cooperation of management, ensures the timely execution of an annual audit plan that emphasizes the testing of internal controls and assures compliance with applicable laws, rules, and accounting practices. These responsibilities are accomplished through an external financial audit performed by Turner, Warren, Hwang, and Conrad AC (TWHC), a national CPA firm with recognized expertise in the credit union industry. TWHC's final opinion is that F&A's internal controls are satisfactory, and the financial statements were fairly presented in all material respects.

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

I would like to acknowledge the contributions of my fellow Supervisory Committee volunteers: 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 to ensuring that F&A Federal Credit Union remains a financially sound institution.

A handwritten signature in black ink that reads "Pablo Valadez". The signature is written in a cursive, flowing style.

Pablo Valadez
Chair, Supervisory Committee

2020 FINANCIAL STATEMENTS

**F&A Federal Credit Union
Statement of Financial Condition
At December 31, 2020 (Unaudited)**

Assets	
Loans to members	\$ 467,437,591
(Less) Allowance for loan losses	<u>(1,875,878)</u>
Total net loans to members	465,561,713
Cash and cash equivalents	\$ 94,843,183
Investments:	
Securities available for sale	\$ 1,407,875,397
Securities held to maturity	22,000,000
Other	<u>35,364,520</u>
Total investments	1,465,239,917
Accrued interest on loans	\$ 939,596
Accrued interest on investments	4,165,286
Land and building, net of depreciation	8,168,264
Other fixed assets, net of depreciation	764,070
National CU Share Insurance Fund deposit	14,367,159
Other assets	<u>29,200,103</u>
Total Assets	<u>\$2,083,249,291</u>

Liabilities, Member Deposits and Equity

Accounts payable and other liabilities	\$ 73,983,055
Member Shares:	
Regular shares	\$ 297,798,604
Share drafts	246,725,702
Money market accounts	674,900,805
Share certificates	396,201,202
IRA shares and certificates	<u>82,265,786</u>
Total member share accounts	1,697,892,099
Member Equity:	
Regular reserves	\$ 15,021,792
Undivided earnings	274,015,538
Accumulated other comprehensive gain	21,787,180
Capital arising from acquisition	<u>549,627</u>
Total members' equity	311,374,136
Total Liabilities, Member Deposits and Equity	<u>\$2,083,249,291</u>

**F&A Federal Credit Union
Statement of Income & Expense
For the Year Ended December 31, 2020 (Unaudited)**

Interest Income	
Loan receivable	\$ 15,405,308
Interest-bearing accounts and investments	<u>25,134,439</u>
Total interest income	40,539,747
Interest Expense	
Members' share accounts	\$ 17,318,002
Borrowed funds	<u>556,803</u>
Total interest expense	17,874,805
Provision for Loan Losses	<u>\$ 762,427</u>
Net Interest Income after Provision for Loan Loss	\$ 21,902,515
Non-Interest Income	
Non-Operating Gains	\$ 4,718,373
	<u>1,774,727</u>
Non-Interest Expense	<u>17,825,705</u>
Net Income	<u>\$ 10,569,911</u>

F&A Federal Credit Union's capital ratio declined to 13.90% as of December 31, 2020, from 15.90% as of December 31, 2019, as member deposits grew rapidly during the pandemic.

In 2020, the Credit Union paid out 38.26% of our gross income to our members in the form of dividends, an increase over the 37.39% paid in 2019. Our return on assets of 0.55% in 2020 remains strong and demonstrates our ongoing ability to generate favorable returns for our members.

As of December 31, 2020, our total assets were \$2,083,249,291, an increase of nearly 19% over total assets for year ending 2019. Member loans grew nearly 37% in 2020 and member share deposits increased by over 16% over year ending 2019. With net income of \$10,569,911 for the year ended December 31, 2020, our members' total equity increased by 3.79% over December 31, 2019. 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
Chair, Board of
Directors



Mary Gutierrez
Vice Chair



Richard Russell
Secretary/
Treasurer



William "Blackie"
Blackburn
Board Member



Chris Bundesen
Board Member



Andy Doyle
Board Member



Robert Heinzl
Board Member



Michael F. Idol
Board Member



Van Mark Madrigal
Board Member

SUPERVISORY COMMITTEE



Pablo Valadez
Chair, Supervisory
Committee



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
Administrative
Officer



Mike Welch
SVP/Chief
Lending Officer



Yong Whang
SVP/Chief
Technology
Officer

ORGANIZATIONAL MISSION

Provide our members with the highest quality service on a wide range of products and services, continue providing strong and comprehensive technology offerings while maintaining a sound financial position.

For our members we commit to:

- Continually consult with them 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**

