

2014
ANNUAL
REPORT



FEDERALLY
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We're in this together



Chairman's Message

This year was an extraordinary year of outreach to our members and potential members. During 2014, the credit union visited ten City of Long Beach locations, serving lunch or breakfast, getting to know our members and their colleagues, opening new accounts and counseling potential borrowers. These efforts meant we welcomed over 300 new members, growth of about 3.5%. We were particularly pleased to greet our new neighbors, the Harbor Department, as they moved to their new offices in East Long Beach. We hope their close proximity to our offices will expand our relationship with Port employees.

We have also been pleased to see our members using some of our new services. Since we installed our ATM in January 2014, members have deposited over \$3.1 million and withdrawn over \$2.5 million in funds. Similarly, since eliminating debit card fees, we have seen a rise from about 45,000 transactions totaling \$2.7 million in March 2014, to about 53,000 transactions totaling \$3.2 million in March 2015.

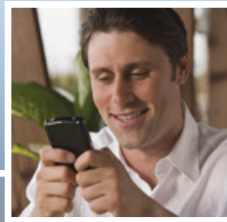
We've worked hard to develop some loan products that would offer our members alternatives to high interest bank loans. Our Holiday Loan program was a success, with over 280 members taking out about \$400,000 in loans. Our Credit Card Consolidation loan program was even more successful, with over 120 members borrowing about \$1 million to pay off high interest credit cards.

The year ahead will provide additional opportunities as we look for ways to engage our younger members while creating a greater array of products and services for our active members. Our mission is meet all of your financial needs and we are grateful to our loyal members for your support and trust as we forge ahead!

With appreciation,

TERRY EVANS

President/Chairman of the Board



Treasurer's Report

Our credit union once again saw growth and positive earnings in 2014. Assets rose \$2.4 million to a total of \$306.8 million at December 31. Net income of \$1.3 million contributed to an increase of net worth to 9.95% at December 31, 2014, up from 9.61% the prior year. The slow and steady growth in net worth over the last few years has provided a foundation of financial strength to protect member assets in the event of financial adversity.

The credit union continues to focus on loan origination and member outreach. During the year, we added an additional \$4.6 million in loans to the balance sheet. While our yield on loans has continued to slip, from 5.01% at December 31, 2013 to 4.88% at December 31, 2014, the additional balances have more than made up for the decline in yield. Rates on five-year U.S. Agency securities remain below 2%, so aggressive pursuit of new loans makes sense, both for the credit union's success as well as our members'.

Asset quality also continues to improve, with our delinquency rate falling to 1.23% of total loans, down from 1.64% the prior year. Loan charge-offs of 0.14% in 2013 improved to just 0.06% in 2014. As the real estate market, and the economy in general, have stabilized, so have our assets.

Finally, despite the added expenses of member outreach in 2014, the credit union's operating expenses remain among the lowest in the industry, at about 1% of our average assets. Our peer credit unions spend over 2.5% of their average assets which has had a crippling effect on their net income. Our commitment to low cost operations will continue to be a factor in our success and a focus in the years to come.

We have been receiving many mixed messages from economists, market analysts and the Fed about when to expect a change in the interest rate environment, but we'd like to assure our members that we continue to actively monitor the markets and we strategically plan for those inevitable changes. Your Board of Directors is committed to the financial health and conservative management of your credit union.

JOHN KRUSE
Secretary/Treasurer



Statement of Financial Condition

December 31, 2014

ASSETS

Cash and Cash Equivalents	\$ 48,692,490
Investments:	
Available for Sale	144,298,668
Held to Maturity	27,272,000
Loans to Members, Net	80,838,767
Accrued Interest Receivable	535,228
Property and Equipment, Net	1,631,315
Share Insurance Deposit	2,637,931
Other Assets	891,027
Total Assets	<u>\$ 306,797,426</u>

LIABILITIES AND MEMBERS' EQUITY

Liabilities:

Members' Share Accounts	\$ 278,545,989
Accrued Expenses and Other Liabilities	1,674,060
Total Liabilities	<u>280,223,049</u>

Members' Equity:

Regular Reserve	20,000,000
Undivided Earnings	10,548,932
Accumulated Other Comprehensive Income	(3,974,555)
Total Members' Equity	<u>26,574,377</u>
Total Liabilities and Members' Equity	<u>\$ 306,797,426</u>

Statement of Operations

December 31, 2014

INTEREST INCOME

Loans to Members	\$ 3,856,395
Investments	1,666,443
Total Interest Income	<u>5,522,838</u>

INTEREST EXPENSE

Members' Share Accounts	965,442
Total Interest Expense	<u>965,442</u>

NET INTEREST INCOME 4,557,396

PROVISION FOR LOAN LOSSES

50,000

NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES

4,507,396

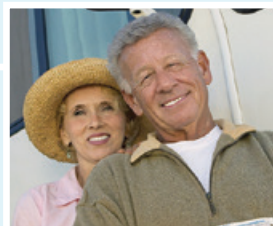
NON-INTEREST INCOME

Fees and Charges	345,819
Other Income	7,823
Total Non-Interest Income	<u>353,642</u>

NON-INTEREST EXPENSE

Compensation and Benefits	2,075,252
Office Occupancy	194,081
Office Operations	1,249,158
Total Non-Interest Expense	<u>3,518,491</u>

NET INCOME \$ 1,342,547



Supervisory Committee Report

The Supervisory Committee is appointed by the Board of Directors to provide oversight to Credit Union operations, ensuring that the Credit Union complies with regulations governing federally chartered credit unions. The Committee meets monthly to identify risks and other issues facing the Credit Union, reviews the results of operations and annual inspections by regulators, and monitors any corrective action recommended during those examinations. A Committee Member also attends all Board of Directors meetings to ensure that the Board is capably and thoughtfully conducting the business of the members.

The Committee also engages a public accounting firm to audit the annual financial statements of the Credit Union. The audit includes a verification of member data and the Supervisory Committee relies on Credit Union members to report discrepancies on account statements. For the year ended December 31, 2013, the Credit Union had no unresolved discrepancies in accounts. It also received an unqualified opinion on its financial statements by CPAs Turner, Warren, Hwang & Conrad. The Committee has concluded, based on the results of examinations and audits, that the Credit Union is safe and sound.

On behalf of the members of the Committee, we look forward to another year working with the Board, management, staff and our members to ensure the continued success of the Credit Union.

PAT BURNS

Chairman, Supervisory Committee

Notes to Financial Statements

December 31, 2014

The financial statements of the Long Beach City Employees Federal Credit Union (Credit Union) are a partial presentation of the financial position and results of operations of the Credit Union as of and for the year ended December 31, 2014 and are not a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Credit Union's audited financial statements for the year ended December 31, 2014 from which this selected information has been derived.

The Credit Union's full disclosure financial statements have been audited by Certified Public Accountants, Turner, Warren, Hwang & Conrad, for which an unqualified opinion was rendered on April 2, 2015.

The audited financial statements, including auditors' report and notes to the financial statements will be provided upon request.

Volunteers & Management

BOARD OF DIRECTORS

Terry Evans

Chairman

Malcolm Oscarson

Vice Chairman

John Kruse

Secretary/Treasurer

Beverly Bartlow-Nieves

Tom Modica

Amy Manning

Paul Fujita

SUPERVISORY COMMITTEE

Pat Burns

Chairman

John Keisler

Vice Chairman

Ed Nelson

Eugene Fong

Linda Vu

MANAGEMENT

Kathleen O'Connell

Chief Executive Officer

Matt Johnson

*Vice President of Operations and
Corporate Branch Manager*

Vince DeVito

Manager, Information Technology

Mike Spray

Manager, Information Systems and Facilities

Sue Fredrickson

Manager, Accounting and Human Resources

Kathy Stotts

Manager, Loan Operations



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