



The background image shows a nighttime view of the Long Beach City skyline. In the foreground, several white boats are docked at a pier, with their lights reflecting in the water. A row of palm trees stands in front of the buildings. The sky is a deep blue, and the city lights are visible through the windows of the buildings.

### **Board of Directors**

Terry Evans, Chairman of the Board  
Malcolm Oscarson, Vice Chairman  
John Kruse, Secretary/Treasurer  
Beverly Bartlow-Nieves, Director  
Amy Manning, Director  
Paul Fujita, Director  
Pat Burns, Director

### **Supervisory Committee**

Ed Nelson, Chairman  
Jeff Evans, Vice Chairman  
Eugene Fong  
Julissa Jose-Murray  
Alan Kosoff, Advisory Member  
Robert Woods, Advisory Member  
Brandon Walker, Advisory Member

### **Management Staff**

Kathleen O'Connell, Chief Executive Officer  
Michele Megill, Chief Operating Officer  
Autumn Hoffman, Chief Lending Officer  
Sue Fredrickson, Manager of Accounting  
Lisa Hess, Branch Manager  
Mike Spray, Manager of Information Systems and Facilities  
Ricky Tse, Senior Systems and Network Manager  
Nancy Samarin, Manager of Administration

**Long Beach City Employees Federal Credit Union**

2801 Temple Avenue, Signal Hill, CA 90755

562.595.4725 [www.lbcefcu.org](http://www.lbcefcu.org)



# 2018 Annual Report



## Chairman's Message

The Credit Union's strategic plans over the last few years have remained focused on growth in membership and products as well as leveraging recent investments in technology so that the Credit Union is electronically closer to our members. Progress is being made on all fronts and we are excited to see several programs and projects launch or move very close to launch.

This year, we expanded our educational series so that members are better equipped to enjoy a stable financial future. We are offering workshops for first time homebuyers, those who'd like to improve their credit scores, members who'd like to establish a trust, and those who need help with financial planning, budgeting or investments. We will soon be launching a financial education series for children. We hope that you will take advantage of these free programs. Your financial wellness is important to us.

In 2018, we also launched a debt protection program for our borrowers and we will soon offer mechanical breakdown insurance, all at competitive, reasonable rates. We will be launching Courtesy Pay, an overdraft protection program, in mid-2019 and chip debit cards are already arriving in members' mailboxes. With sky-high real estate prices, some of you are having trouble scraping together a down payment and have asked us to offer a 100% Loan-to-Value Mortgage loan program. We have heard you and are working on it. We also know that some of our members are using high-cost payday lenders and we hope to offer a product that provides an alternative so that more of your hard-earned money stays in your pocket.

Technology has been, and will continue to be, a major focus. Like most financial institutions, we are seeing an increased use of mobile devices so we will be working on improving the integration of our loan and membership applications at both the online banking and mobile level. Look for a website refresh in the next 18 months. We have also contracted with our debit card provider to allow you to manage the security of your card by locking it down based on your personal behavior and needs.

I'd like to thank the volunteer members of the Board of Directors and the Supervisory Committee for providing the leadership and vision necessary to remain relevant in an increasingly complex regulatory environment and an increasingly competitive financial services industry. More importantly, I'd like to thank our loyal members who continue to make this a unique credit union. Eighty-three years and we are still going strong.

*Terry Evans*  
Chairman of the Board

## Supervisory Committee Report

The Supervisory Committee is of vital importance to the healthy operation of the Credit Union. It is the Committee's responsibility to ensure that the Credit Union operates with sound internal controls, maintains records which accurately account for the Credit Union's assets, and adheres to practices that will safeguard those assets. These responsibilities are carried out by:

- Conducting periodic audits and reviews of the Credit Union's records and processes;
- Contracting for a financial statement audit at least annually; and
- Conducting annual member account verifications.

The annual financial statement audit of the Credit Union was completed as of December 31, 2018 by the Certified Public Accounting firm of Turner, Warren, Hwang & Conrad, AC. The audit report, issued directly to the Supervisory Committee and reported to the Board of Directors, did not identify any areas of material concern. The Supervisory Committee believes that the Credit Union is a financially sound institution that will continue to provide outstanding service to each member. Your input is vital in fulfilling the Supervisory Committee's roles and responsibilities, so if you should have any concerns with respect to a discrepancy, please contact the Committee via mail at 2801 Temple Ave., Signal Hill 90755, or e-mail (lbcefcusupervisory@gmail.com).

*Ed Nelson*  
Chairman of the Supervisory Committee

## Treasurer's Report

I am pleased to report that financial results for fiscal year 2018 were excellent. As you'll see in this report, the Credit Union finished the year with almost \$1.5 million in net income. In part, this is due to a gradual increase in market interest rates that have lifted our investment income. We have, and will continue to, share those positive results with our members in the form of lower loan rates and higher dividend rates. We are proud that the yield on our loan portfolio (4.07%) is less than our credit union peers (4.90%), meaning that on average, we are charging less for credit. We are also pleased to offer higher deposit rates than our peers. The average cost of our deposits is 0.53%, while our peers pay, on average, 0.46%.

Net worth, or capital, is a measure of strength as well as an institution's ability to withstand financial adversity. Superior capitalization, according to the Credit Union's federal regulator, the National Credit Union Administration, is 7.00%. At December 31, 2018, the Credit Union's net worth was 11.46%, the highest level it has been in several decades. Future interest rates are unpredictable, but by building this level of net worth, the Credit Union is well insulated from the interest rate risk that any foreseeable rate scenario would present. This type of capacity is one of the reasons the Credit Union continues to maintain a five-star rating with BauerFinancial, Inc., a firm providing independent assessments of credit unions throughout the United States.

Several other factors contributed to the successful close of 2018. The Credit Union's conservative lending policies mean that our charge-offs are significantly lower than our peers. As a percentage of average total loans, the Credit Union charged off 0.19% while our peers charged off 0.52%. We are also thrifty with your money, demonstrated by an expense ratio of 1.33% that compares favorably to our peers' 2.91%.

Your Board of Directors has ultimate responsibility for the financial health of the Credit Union and we review the results of operations every month. We also review a host of other operational and statistical data to ensure the future prosperity of this Credit Union. Based on your stable and reliable deposits, we believe you have faith in our stewardship and we are grateful for your confidence.

*John Kruse*  
Secretary/Treasurer

### STATEMENT OF FINANCIAL CONDITION

	2018	2017
Cash	\$19,845,211	\$45,647,564
Investments	175,488,997	155,614,539
Loan to Members (Net)	91,927,348	94,009,983
Building & Equipment (Net)	3,329,833	3,523,122
Other Assets	11,352,676	3,715,226
<b>Total Assets</b>	<b>\$301,944,065</b>	<b>\$302,510,434</b>

### LIABILITIES & MEMBERS' EQUITY

Other Liabilities	\$399,135	\$4,015,301
<b>Members' Shares</b>	<b>271,698,493</b>	<b>270,130,412</b>
Total Liabilities	272,097,628	274,145,713
Regular Reserve	20,000,000	20,000,000
Undivided Earnings	14,611,624	13,154,346
Accumulated Other Comprehensive Income	(4,765,187)	(4,789,625)
<b>Total Members' Equity</b>	<b>29,846,437</b>	<b>28,364,721</b>
<b>Total Liabilities &amp; Members' Equity</b>	<b>\$301,944,065</b>	<b>\$302,510,434</b>

### STATEMENT OF INCOME & EXPENSE

Interest Income	\$6,763,336	\$6,184,767
Dividends Paid on Shares	(1,585,941)	(1,439,368)
<b>Net Interest Income</b>	<b>5,177,395</b>	<b>4,745,399</b>
Provision for Loan Losses	(150,000)	(250,000)
Non-Interest Income	862,931	488,377
Non-Interest Expense	(4,433,048)	(4,774,835)
<b>Net Income</b>	<b>\$1,457,278</b>	<b>\$208,941</b>

# Highlights of 2018



Welcomed **575**  
new members to  
the Credit Union.



Funded  
**\$8,670,856** in  
new consumer  
loans.



Funded  
**\$12,528,807** in  
new real estate  
loans.



Processed **622**  
online loan  
applications.



Processed  
**\$1,783,866** in  
deposits through  
Mobile Deposit.



Introduced new  
**Auto Loan Drafts**  
making car buying  
faster and easier.



Launched new  
**chip debit cards.**



Expanded our  
**Workshop Series** to  
include first time  
home buying,  
estate planning, and  
529 accounts.



Completed a  
**phone system  
upgrade** to  
better serve  
our members.