



2019 Annual Report



Chairman's Message

As a Credit Union, we have faced many challenges in our 84-year history, but 2020 will be an extraordinary test of our strength and resilience. The global pandemic and economic recession have affected each of us in different ways and we are hopeful that our members and their families remain safe and healthy. It is important, too, that you know that your Credit Union remains financially healthy despite these tumultuous times.

Our focus in 2020 will be to assist our members in any way we can, but it is important to memorialize some of the highlights of 2019. We introduced, in 2018, a new series of educational workshops that have been both valuable and popular with our members. We broadened the topics in 2019 to include workshops related to the car and home buying processes, educational savings plans, rebuilding credit, and trust and estate planning. While we temporarily suspended in-house workshops when stay-at-home orders were issued in March, we have begun to conduct some of them online and we hope you will join us when you can.

We introduced Courtesy Pay in 2019, an opt-in, overdraft protection product. While not widely advertised, it may be particularly useful to some of you now. Our focus in 2019 was also on expanding electronic convenience. We updated our website to make it more user friendly, and we added user controls to our debit cards to give members more peace of mind when using and storing their cards. We also continued to fine-tune our electronic exchange of loan and membership applications, supporting documentation and e-signed documents so that you can apply for a loan, with funding directly to your share account.

In 2020, we will remain committed to doing our part during these unprecedented times by being available as much as we've always been. Our efforts over the last few years to deploy electronic services will be particularly useful during this period of uncertainty. Four years ago, we did not have an ATM machine, but in our current circumstances, it has become a notably safer way to conduct transactions. We are seeing increased usage of our online banking and electronic bill-pay services, as members have been limiting their exposure to the public. Our electronic check deposit service is also becoming an essential service to our members who are choosing to stay safer at home. And as always, we are available by phone to help you check your account balances, determine if checks have cleared and transfer cash to other accounts.

With unemployment at historic highs, we know that some of you have been, or will be, impacted. Perhaps you or your spouse have lost jobs, or your hours have been cut, or you must stay home with school age children. We have fielded calls from a few dozen members asking for payment deferrals on loans and, of course, we are working with all of them to get through this. Please call us if you are having trouble with your payments.

On behalf of the Credit Union and its Board of Directors, we would like to thank you for your continuing loyalty and look forward to helping you emerge from the challenges we face today. The Credit Union is becoming a stronger and more flexible financial institution because we are meeting our challenges head on and we hope that you will continue to recognize that we will always be here for you.

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, 2019 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).

Jeff Evans
Chairman of the Supervisory Committee

Treasurer's Report

Before addressing the financial impacts of the 2020 pandemic and economic downturn, it is important to summarize the financial condition of the Credit Union just prior. The Credit Union finished fiscal year 2019 with net income of \$1.4 million, slightly above budget. Contributing to the positive bottom line were a few notable items. First, the superior quality of our loan portfolio means that our Allowance for Loan Losses was more than sufficient. While our peers put aside 0.31% of assets to absorb loan losses, the Credit Union required no provision during the year.

Another unique financial strength of the Credit Union is our expense structure. Our expenses to total assets is 1.46% while our peers spent 3.82% of their assets last year on expenses. Finally, due to a shorter-term investment portfolio, as interest rates rose during 2019 so, too, did investment income. The yield on our investment portfolio rose from 1.54% in fiscal year 2018 to 1.88% in 2019.

As a result of favorable operating results for the year, our net worth grew from 11.46% at the beginning of the year to 12.10% at the end. This 12.10% compares favorably to our peers, who finished the year with an average 11.67% capital. We have not been this well capitalized for over a decade.

With the recent economic downturn, we have seen an unfortunate decline in investment income, but falling rates have also meant an increased demand for mortgage refinancing. For the first 6 months of 2020, the Credit Union generated as much loan volume as it did in the entire 2018 fiscal year.

But even with an increasing loan portfolio, interest income will lag 2019 and has meant that, like most financial institutions, we have reluctantly reduced dividend rates. It is important for me to point out that when the national emergency was declared, the Board of Directors immediately lowered its net income expectations for 2020. We believe that under these circumstances, it is more important to return dividends to our members than grow what is already healthy capital.

In conclusion, we expect 2020 to be a financially flat year for the Credit Union. We will do all we can to assist members who find themselves needing credit, while returning as much as we reasonably can to our depositors. While we will return to our traditional business model at some point in the future, our best investment today is in our members.

John Kruse
Secretary/Treasurer

STATEMENT OF FINANCIAL CONDITION

	2019	2018
Cash	\$ 29,694,766	\$19,845,211
Investments	163,349,377	175,488,997
Loan to Members (Net)	91,333,002	91,927,348
Building & Equipment (Net)	3,223,016	3,329,833
Other Assets	10,100,032	11,352,676
Total Assets	\$ 297,700,193	\$301,944,065

LIABILITIES & MEMBERS' EQUITY

Other Liabilities	\$337,765	\$399,135
Members' Shares	264,787,376	271,698,493
Total Liabilities	265,125,141	272,097,628
Regular Reserve	20,000,000	20,000,000
Undivided Earnings	16,021,835	14,611,624
Accumulated Other Comprehensive Income	(3,446,783)	(4,765,187)
Total Members' Equity	32,575,052	29,846,437
Total Liabilities & Members' Equity	\$297,700,193	\$301,944,065

STATEMENT OF INCOME & EXPENSE

Interest Income	\$7,460,518	\$6,763,336
Dividends Paid on Shares	(2,392,432)	(1,585,941)
Net Interest Income	5,068,086	5,177,395
Provision for Loan Losses	85,000	(150,000)
Non-Interest Income	628,944	862,931
Non-Interest Expense	(4,371,819)	(4,433,048)
Net Income	\$1,410,211	\$1,457,278

Highlights of 2019



Introduced E-Sign for loan documents and processed **638** loans completely online.



Funded **\$10,251,533** in new consumer loans.



Funded **\$14,322,850** in new real estate loans.



Processed **\$51,707,878** in debit card transactions.



Conducted **17** workshops to provide financial education to members and their families.



Added **Card Controls** giving members the ability to block and unblock their debit cards.

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
Julissa Jose-Murray, Director
Sam Joublat, Director

Supervisory Committee

Jeff Evans, Chairman
Ed Nelson, Vice Chairman
Alan Kosoff
Robert Woods
Brandon Walker
Ana DeAnda, Advisory Member

Management Staff

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



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