

2017
ANNUAL
REPORT



The background of the entire page is a photograph of a sunset or sunrise over a valley. Two people are silhouetted against the bright sun, which is low on the horizon. One person is on the right, standing on a higher point of land and reaching out to help another person who is crouching or climbing up a slope on the left. The sky is filled with large, dramatic clouds. In the top right corner, there is a diagonal orange band with a repeating geometric pattern. On the left side, there is a teal-colored triangular graphic that serves as a background for the title.

ANTELOPE VALLEY PROUD

Credit unions were founded on the principle of **“people helping people,”** and that is something Edwards Federal Credit Union has remained committed to since our beginning more than 56 years ago! As the only financial institution that was born, raised and continues to be headquartered in the Antelope Valley, our dedication to our members and our community is stronger than ever. We are Antelope Valley Proud!



INSPIRING STRENGTH & UNITY

Providing value to our members and giving back to the communities we serve is at the forefront of everything we do. Throughout 2017, we focused our time and energies on improving our credit union for all members today as well as our members of tomorrow. The following pages illustrate our credit union's strength and unity during the past year.



PRESIDENT'S REPORT

2017 was an exciting year for Edwards Federal Credit Union. We've always had great products and services to help our members save money, but we knew those benefits weren't being maximized to their greatest extent. The solution? We dedicated much time and effort to start helping members enjoy those benefits by illuminating all the great ways we can help members save every day.

EMPOWERING THE MEMBERSHIP – We started 2017 off with a bang and by the time we reached the half-year mark, we had already launched several very successful programs enabling our members to better manage their finances. The first, which members were very quick to take advantage of, was a low rate Debt Consolidation Loan that provided the perfect way for members to take control of their personal finances and save money on unnecessarily high interest charges from other lenders.

The second was a unique auto loan program that rewarded members with 1% cash back on loans for any new or used vehicles financed through us. Members walked away with up to \$500 cash just by financing with our credit union. In April, we launched special Term Savings Certificates for our Member Savers, which earned them 0.5% to 1% APY increases on their certificates. With more than \$660,000 flowing into this promotion, it was so successful and had received such positive feedback that we offered it for a second time in October.

In May, we had the pleasure of treating members to our Edwards Member Appreciation Night with the JetHawks at the Hangar, which topped out as our largest attendance ever with more than 1,900 ticket vouchers redeemed. By the mid-year mark, our promotions were rolling along with great momentum and their positive impact on members was quite significant. We continued to propel that energy forward with our Big Toys for Girls and Boys promotion. Throughout July and August, we offered special rates on RVs, motorcycles and the other vehicles our members enjoy in their active lifestyles.

We finished out the year with a free Shred Day for members in October and another exciting auto loan promotion where one lucky member won four tickets to see the Los Angeles Rams trounce the New Orleans Saints on Thanksgiving weekend. In all, 2017 provided us with enormous opportunities to reveal the benefits of being a member-owner of Edwards FCU and we feel we delivered.

IMPROVING ON INNOVATION – As technologies evolve, your credit union evolves. At Edwards FCU, we understand that our members expect their financial institution to provide access to modern technology. That's why, behind the scenes, we spent a significant amount of time upgrading our information technology and communications operations in 2017. During the first quarter, we began the process of outsourcing our network system to CUProdigy, a credit union service organization. The benefits of this change helped us fortify our cyber security defenses and modernize our systems, which in this day and age is a most necessary and valuable maneuver. With cyber security in mind, we also replaced our outdated phone system with a new state-of-the-art system that eliminated existing cyber vulnerabilities associated with our older antiquated system. These changes to our cyber security have provided considerable enhancements to our overall information technology infrastructure and we continue on a daily basis to make changes and improvements for the long-term benefits of the membership.

STRONG IN THE COMMUNITY – Throughout the year, we displayed our Antelope Valley pride by supporting numerous events and another year of being the official credit union of the JetHawks baseball team. We are the only financial institution in the Antelope Valley that can put a "hawk in your pocket" with the relaunch of our exclusive JetHawks VISA® credit card. In the Fall, our signature sponsorship of the 2017 Gathering of Eagles event helped celebrate the anniversary of the F-22, an incredible achievement in aerospace technology.

On behalf of the board, staff and management, I would like to thank our community for your wonderful support and our member-owners for helping to make Edwards FCU a strong and thriving organization. 2017 was a remarkable year, and I can't wait to see what our strength and unity together will bring in 2018.

ROY MACKINNON
PRESIDENT/CEO



CHAIR'S REPORT

2017 brought many positive changes to your credit union and I'm pleased to report that I believe we have now built a strong foundation for future growth and improved service to both our members and our community. Our mission remains the same today as it was at our founding – providing a safe and secure financial environment for our members while offering competitive loan products and additional services that improve our member's financial world.

During 2017, your Board of Directors continued to support serving those who serve our country on the Edwards Air Force base. We sponsored numerous programs within the base community to make sure those who serve understand the financial value that membership with Edwards FCU can provide to its military members.

Throughout the year management reexamined our credit union's processes and procedures and made significant changes as needed. Their actions enabled the credit union to achieve significant reductions in expense as evidenced by our year end financials. Changes were also made to improve our credit union's cyber security. This was not a one and done project, but has now become a critical part of our operational mission. In fact, in late 2018 the credit union will complete its first major conversion of our core computer software in 17 years. This new system will provide improved operational efficiency which translates to better overall member service.

On behalf of the Board of Directors, volunteers, as well as the management and staff of our credit union, I would like to personally invite each and every one of you to fully partake in the safe and secure financial services offered by your Edwards Federal Credit Union.

RONALD DAVINO
CHAIR, BOARD OF
DIRECTORS



STRONG IN THE COMMUNITY

As the official credit union of the Lancaster JetHawks, we celebrated with members at the Hangar for Member Appreciation Night. Edwards FCU is the only credit union that offers an official JetHawks credit card!

We're very proud of our signature sponsorship of the 2017 Gathering of Eagles where we celebrated the 20th anniversary of the F-22 Raptor's first test flight!

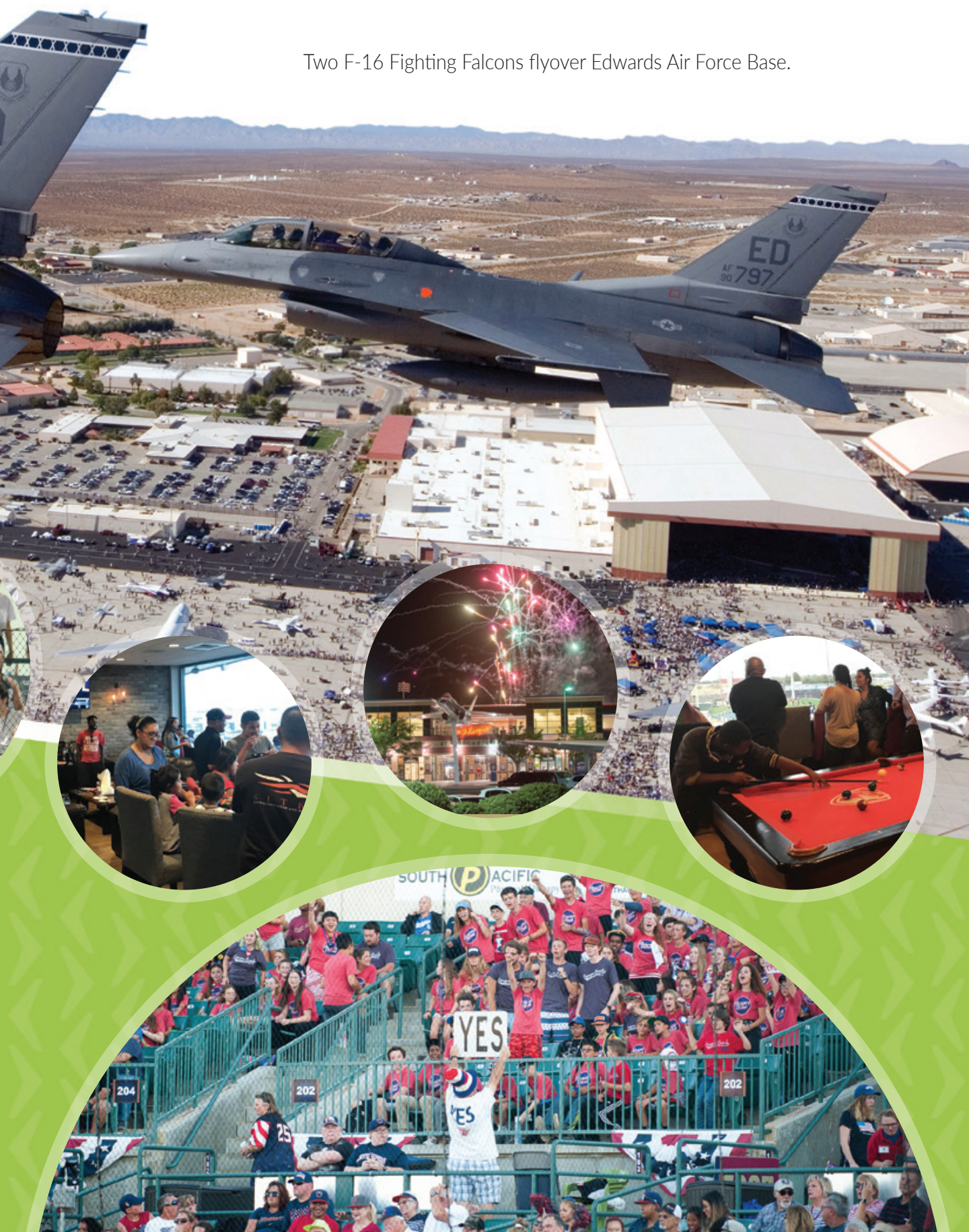
Below – Members and non-members alike line up for our Annual Edwards Jersey Night at the Hangar.



KaBoom gets the crowd going as Edwards FCU members and the community enjoy games at the Hangar!



Two F-16 Fighting Falcons flyover Edwards Air Force Base.





TREASURER'S REPORT

2017 was another year of change for the credit union, but I'm pleased to report our management of the credit union's finances was excellent as the numbers clearly indicate.

Total assets grew to slightly more than \$191.2 million, up from \$188.0 million in 2016, a 1.70% increase. Member shares (deposits), increased to \$174.9 million from \$172.9 million, which represents an increase of 1.16%. Total loans to members decreased slightly to \$74.3 million compared to \$74.4 million in 2016, a decrease of 0.13%. This was not unexpected as the home loan refinance boom of the past many years has slowed significantly thus decreasing some loan demand.

Income from loans and investments grew to \$5.45 million compared to \$5.23 million in 2016, an increase of 4.17%. Improved loan underwriting practices helped us keep delinquencies and charge-offs low, resulting in a reduction of our loan loss provision expense to \$335,500 as compared to \$671,744 in 2016. In addition, an updated investment strategy coupled with an increase in market rates helped boost investment yield compared to 2016.

As a result of improved overall income growth and a significant commitment to expense reduction, your credit union finished 2017 with an exceptional year-end net income of \$923,321. Compared to the slight loss in 2016, the past year showed a turnaround approaching one million dollars. Additionally, our capital ratio grew to 7.61% as of December 31, 2017 compared to 7.25% in 2016.

All things considered, the credit union handled staff, management and the financial transitions of 2017 with strength and resilience. The credit union has again begun the new year with a strong first quarter income growth and I believe this positions the credit union well as we continue our mission of member service.

DON SULLIVAN
TREASURER



SUPERVISORY COMMITTEE REPORT

The Supervisory Committee is made up of a group of volunteer members who are chartered with verifying that the credit union operates in a safe, sound and prudent manner. Reporting to the Board of Directors, the committee is tasked with monitoring branch operations, conducting both teller and vault audits, managing compliance issues and overseeing our audit function from both our independent public accounting firm Moss Adams, as well as our federal regulators.

The committee also works directly with the credit union's Internal Auditor who performs a variety of specialized individual and system audits. In 2017, we received high praise from the National Credit Union Administration (NCUA) during our annual audit for the positives steps management took throughout the year including numerous operational enhancements.

JACQUE KONSTAN
CHAIR, SUPERVISORY
COMMITTEE

FINANCIAL REPORT

December 31, 2017 and 2016
(Unaudited)

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

	2017	2016
ASSETS		
Cash and Cash Equivalents	\$ 6,669,222	\$ 7,143,212
Investments	103,604,533	103,109,634
Loans Receivable, net	73,662,416	73,727,752
Property and Equipment, net	1,558,475	1,559,928
Share Insurance Deposits	1,779,994	1,649,254
Other Assets	3,958,399	836,064
TOTAL ASSETS	\$ 191,233,039	\$ 188,025,844
LIABILITIES AND MEMBERS EQUITY		
Accrued Expenses and other Liabilities	1,796,351	1,533,495
Members' Shares	174,877,211	172,856,193
Retained Earnings	14,559,477	13,636,156
TOTAL LIABILITIES & MEMBERS EQUITY	\$ 191,233,039	\$ 188,025,844

December 31, 2017 and 2016
(Unaudited)

CONSOLIDATED STATEMENTS OF INCOME

	2017	2016
INTEREST INCOME		
Interest on Loans to Members	\$ 3,821,597	\$ 3,959,454
Interest on Investments and Cash Equivalent	1,628,475	1,272,513
	5,450,072	5,231,967
INTEREST EXPENSE		
Dividends on Members' and Borrowed Funds	141,812	165,650
Net Interest Income	5,308,260	5,066,317
Provision for Loan Losses	335,500	671,744
Net Interest Income after Provision for Loan Losses	4,972,760	4,394,573
NON INTEREST INCOME/LOSS		
Income from Services	1,542,510	1,454,732
Miscellaneous Income	1,364,308	1,196,141
Non Operating Income/Loss	- 28,446	0
	2,878,372	2,650,873
GENERAL AND ADMINISTRATIVE EXPENSE		
Salaries and Benefits	3,014,345	3,194,725
Operations	3,733,750	3,640,633
Occupancy	179,716	216,052
NET INCOME (LOSS)	\$ 923,321	\$ (5,964)

55th ANNUAL MEETING MINUTES

APRIL 27, 2017

EDWARDS FEDERAL CREDIT UNION

PRESENT

RON DAVINO, Chair
RONALD GUYADEEN, Vice Chairperson
LILLIAN TAVERA, Treasurer
ARDITH RICHARDSON, Secretary
MARTIN O'BRIEN, Director
KIMBERLY DUNHAM, Director

ALSO PRESENT

JACQUE KONSTAN, Supervisory Committee
BOB LARGE, Emeritus Director
ROY MACKINNON, President/CEO
CHARLES BERNDT, Recording Secretary

EXCUSED ABSENT

Lindsay Harris, Director

SPECIAL GUEST

Colonel McPherson

MEMBERS PRESENT

64

NON-MEMBERS PRESENT

11

CALL TO ORDER

Ron Davino presented the pledge of allegiance and invocation and introduced Ardith Richardson.

Ardith Richardson ascertained that a quorum was present. Ron thanked everyone for attending the 55th Annual Meeting of Edwards Federal Credit Union and called the meeting to order at 8:04 p.m. at the Hellenic Center, 43404 30th Street West, Lancaster, CA 93536.

Ron introduced the Board of Directors and the Supervisory Committee. Ron introduced Roy MacKinnon, President/CEO. Roy introduced the Senior Management team, and also introduced the employees that helped set the annual meeting up, and all other employees.

55TH ANNUAL MEETING MINUTES

Ardith Richardson presented the 54th Annual Meeting Minutes, as submitted.

MOTION

It was moved, seconded, and CARRIED to accept the minutes of the 54th Annual Meeting (Counts/Keene)

CHAIRMAN'S REPORT

Ron Davino presented the Chairman's Report, as submitted.

Ron advised of the recent NCUA examination and that the NCUA is encouraged with the new direction of the credit union.

Ron expressed his thanks to the following:

- The Supervisory Committee and Don Sullivan
- Ardith Richardson for her record keeping
- Bob Large for providing different perspectives to various situations



TREASURER'S REPORT

Lillian Tavera presented the Treasurer's Report, as submitted.

Lillian advised that the job of the credit union is to inform and provide the best service possible for its members.

SUPERVISORY COMMITTEE REPORT

Jacque Konstan presented the Supervisory Committee Report, as submitted.

Jacque thanked everyone for attending the annual meeting.

PRESIDENTS REPORT

Roy presented the Presidents Report, as submitted.

Roy presented the employees who have been with the credit union for 10 or more years.

Roy thanked the Edwards Team and stated that he is fully committed to the credit union's employees and its membership.

OLD BUSINESS

No old business to report.

NEW BUSINESS

No new business to report.

OPEN FLOOR (ANONYMOUS)

1. How has closing on Saturdays effected expenses?

Roy advised that an analysis was completed on Saturday hours and the results show that on a five (5) hour Saturday the credit union spends \$1,500.00. Roy advised that a majority of the transactions completed on Saturday could be completed by ATM or with online banking.

2. How many employees are there in administration and branch operations?

Roy advised that the senior leadership team is mentioned on the back of the annual report. In branch operations there are two (2) branch managers, two (2) member service representatives on the air force base, eight (8) in Lancaster operations, and seven (7) in Lending.

3. How many members are there?

Roy advised that answering this question depends on how you define "members," however there are approximately 16,000 unique members (each having a SSN). If you add joint members it is approximately 21,000.

4. Encourage people to advertise EFCU, award membership with a pin of EFCU that identifies the total years of membership and perhaps add an EFCU baseball cap to display pin.

Roy advised that this will be taken into consideration.

5. Numerous times I arrived at the credit union finding over 20 plus customers deep in line.

I feel I'm at Wal-Mart with a vast amount of check outs and only a few open. What is the credit unions policy for opening up, or adding another teller for faster service? Roy advised that there has been a transition of tellers so staffing issues have been present, but if staff sizes increased the expenses would also increase and that in the future he hopes to educate members on various tasks that ATMs can complete, which will help reduce the lines inside the credit union.

6. Explain more on those dormant accounts and how they are affecting each type of account.

What is the length of time before the account goes dormant? What is the time when it goes into a dormant account? What stages does it go into before it is declared dormant? Roy advised that dormant accounts have had no activity for three (3) years or more, attempts are made to contact the member and if no contact is made and there is a balance on the account that the state attempts to contact the member and the funds will be sent to the state as unclaimed property. If Edwards is doing good, why is all the restructuring coming about? Roy advised there had been infrastructure and expense challenges when he arrived and that things are running smoother now.

7. Will there be a way to view my credit card account through the EFCU app in the near future?

Alexandra Keene, AVP Member Solutions, advised that this is something that she would like to implement but there are a lot of projects going on and before a new project is started the projects already being worked on need to be completed.

ELECTION RESULTS

Ron Guyadeen, Director, presented the Election results as follows:

In accordance with Edwards Federal Credit Union's Bylaws, Article V. Section II, when candidates equal Board position vacancies, candidates nominated are elected to vacancies. The following candidates have been re-elected to the Edwards Federal Credit Union Board of Directors by Acclamation:

- Martin O'Brien

SPECIAL GUEST:

Ron introduced Colonel McPherson. Colonel McPherson discussed the importance of educating the airmen and younger generation on financial awareness.

DOOR PRIZES

Edwards Federal Credit Union distributed donated door prizes.

ADJOURNMENT

Hearing no further business, the meeting was adjourned at 9:37 p.m.

VOLUNTEERS & OFFICERS

BOARD OF DIRECTORS

RON DAVINO, Chairman
RON GUYADEEN, Vice Chairman
DON SULLIVAN, Treasurer
ARDITH RICHARDSON, Secretary
KIM DUNHAM, Director
LINDSAY HARRIS, Director
MARTIN O'BRIEN, Director

SUPERVISORY COMMITTEE

JACQUE KONSTAN, Chairperson
KIM CABRIDO, Vice Chairperson
GREGG BECHNER, Member
JAMES CHARLTON, Member

LEADERSHIP TEAM

ROY MACKINNON, President/CEO
SANDRA GROOVER, Chief Administrative Officer
MARC JACOBY, Chief Financial Officer
MICHAEL FRASCHILLA, VP Lending
AMER HAMEED, VP Information Technology
ALEXANDRA KEENE, AVP Member Solutions
CRISTINA LOLLIS, AVP Branch Operations



EDWARDS AFB

10 South Muroc Drive
Edwards, CA 93524

Lobby Hours: M-F, 9 am - 5 pm

LANCASTER

44288 North 10th Street West
Lancaster, CA 93534

Lobby Hours: M-F, 9 am - 6 pm
Drive-Up Hours: M-F, 8:30 am - 6 pm



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