

The top half of the cover features two distinct images separated by a diagonal line. On the left, a close-up of bright yellow poppies in bloom. On the right, a Joshua tree in a desert landscape under a vibrant sunset sky with orange and purple hues.

2018 ANNUAL REPORT

Shaping the **future**

The bottom half of the cover features two distinct images separated by a diagonal line. On the left, a field of brown, dried-out flowers in the foreground with mountains in the background under a hazy sky. On the right, a dramatic landscape with a green field, dark mountains, and a stormy sky with bright white lightning bolts.


edwards
FEDERAL CREDIT UNION

Shaping the future



PRESIDENT'S REPORT

Completing the year with assets just shy of \$200 million, I am pleased to share that 2018 was a year of exceptional growth and innovation for Edwards Federal Credit Union – in more ways than one. Having undertaken an in-depth review of our processes, we kicked off the year by taking big steps to improve the member experience and to secure the stability of our credit union through upgrades and technological advancements.

TECHNOLOGICAL ADVANCEMENTS – Whether you choose to visit one of our financial centers, ATMs, website or mobile app, doing business with us should require minimal effort. That's why we dedicated much of 2018 to upgrading our technology and to improving your member experience. We started by replacing our entire fleet of outdated ATMs with new state-of-the-art machines from NCR. We recognize the significance of an innovative online experience, which is why we made the decision to overhaul our website, as well as online and mobile banking systems. Now featuring a responsive web design, our new Edwards FCU website renders well on not just computer screens, but on devices and screens of all sizes, making it easier to get your banking done from any type or size of mobile device. Our updated online and mobile banking systems, including a new mobile check deposit program offer even more opportunity and flexibility than before and also feature the same responsive web design as our website, so you can log in from your phone, tablet or computer with ease.

Our most significant change for shaping the future of our membership experience and the long-term stability for Edwards FCU was our core conversion. This year-long project transformed 20-year-old computer code into a system with technology designed to simplify and streamline member experience while providing a platform for continued development and growth. Months of meticulous planning went into this conversion, but as with any system conversion of this magnitude and detail, unforeseeable obstacles were inevitable. We continue to work tirelessly to correct the remaining issues and expect all to be resolved by mid-2019.





At Edwards Federal Credit Union, our focus is on making a positive impact on the lives of our members and our community. Founded on the principle of “people helping people,” we remain committed to making a meaningful impact throughout the Antelope Valley, empowering members, and helping shape the future of our community through events and activities, financial education, affordable financial services, and products that prioritize financial health.

INVESTING IN OUR MEMBERS – As always, we opened our doors each day throughout 2018 not just to serve our membership, but to ensure they had plenty of options to improve their personal finances and attain their financial goals. Attractive promotional rates for auto and personal Loans, as well as new products such as airplane loans provided members with marked savings and opportunities. For our member savers, we continued our tradition of offering above-market Term Savings (CDs) promotions three times throughout the year.

We also launched an internal Collections Department, which prior to 2018, was managed by an outside third party. The decision to bring these operations back in-house to the credit union not only reduced credit union expenses, but has also provided quicker response times to members who find themselves with financial difficulties.

INVESTING IN THE COMMUNITY – Throughout 2018, we remained focused on our goal to reach out to our community and to support the Antelope Valley’s JetHawk’s baseball team. In addition to our always popular Member Appreciation Night and Jersey Giveaway Night, we had the pleasure of sponsoring our very own Antelope Valley Proud suite at the stadium, which helped introduce the credit union to residents from all over the valley. And, we invested in the youth of the community by beginning a title sponsorship of the JetHawk’s Baseball Foundation. We are proud to be helping bring the sport of baseball to underprivileged youth throughout the AV.

A GLANCE AT 2019/2020 – Marking a renewed commitment to being the Antelope Valley’s community credit union, and with an eye on shaping our future, I am pleased to share that we have completed plans to open a new branch in Palmdale. The land was purchased many years ago and groundbreaking is expected to begin in June or July of this year, with an anticipated move-in date of June 2020. The future is bright for your credit union, and we are proud to be the community credit union bringing affordable financial services to all residents in the Antelope Valley.



ROY MACKINNON
PRESIDENT/CEO

PHOTOS FROM TOP

- Staff members pose with KaBoom at Hangar Stadium
- Edwards FCU celebrating 4th of July at the AFB Summer Bash
- President/CEO Roy MacKinnon speaks to members and guests at the 2018 Annual Meeting
- Marc Jacoby, CFO, inspects roof improvements to protect our new ATM on the Edwards Air Force base

PHOTOS AT LEFT • Edwards FCU set up a table full of goodies for the kids at the AFB Easter event • Annual Member Shred Day

CHAIR'S REPORT

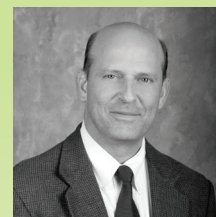
2018 was a year of investment to shape our future. Improvements to our core computer system as well as upgrading of desktop systems, our web site and home/banking applications was a year-long focus of staff and management. New ATMs were installed at all locations and we launched several loan and savings promotions throughout the year. We once again began offering airplane loans and we re-established our direct lending program through auto dealers in the Antelope Valley, making it easier for members to fund their auto loan through the credit union even when the credit union is not open.

We reduced expenses and improved member service by bringing debt collections in house. The processes we established helped us keep loan delinquencies and losses at near record low ratios. As part of our computer system conversion process we had certain expenses that were accelerated during the year and thus reduced our overall income. Because these expenses were "pre-paid" in 2018, overall expenses in 2019 will be substantially reduced and thus income is expected to show positive gains.

The credit union continues to offer members a full range of loans including home loans and Home Equity Lines of Credit. With home prices rebounding throughout the valley, many members used their home's equity to finance improvements and consolidate high rate credit from other lenders.

And, as mentioned in our President's Report, the board is excited to announce plans for our new branch in Palmdale at the corner of 10th Street West and O-8. Located in the heart of the valley's retail district, our new location will feature dual drive through lanes, ample parking and a dedicated room for community use. Plans are also being made for a coffee retailer to be part of this new location.

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



RONALD DAVINO
CHAIR, BOARD OF
DIRECTORS



DON SULLIVAN
TREASURER

TREASURER'S REPORT

During 2018, total assets grew to almost \$199.3 million, up \$8.1 million from \$191.2 in 2017, a 4.2% increase. Member shares (deposits), increased to \$182.5 million from \$174.9 million, an increase 4.3%. Total loans to members also increased slightly to \$74.6 million compared to \$73.7 million in 2017, an increase of 1.2%. In virtually all areas, members took advantage of both consumer and real estate loans offered by the credit union.

Income from loans and investments grew to \$5.68 million compared to \$5.45 million in 2017, an increase of 4.2%. Improved loan underwriting practices as well as the development of in-house collection processes helped us keep delinquencies and charge-offs at record low levels, resulting in a reduction of our loan loss provision expense to \$273,000 as compared to \$336,000 in 2017.

Additionally, an updated investment strategy coupled with an

increase in market rates helped boost investment yield compared to 2017. While investments grew approximately 4.5%, the associated income increased by over 17% with investment yield increasing from approximately 1.60% to 1.80%.

Although net income was down in 2018 by approximately 37% compared to 2017, this was not unexpected as certain known costs related to our computer conversion were realized throughout the year. These expenses combined with asset growth of 4.2% reduced our capital ratio by 1/100 of a percent to 7.60% as of December 31, 2018 compared to 7.61% in 2017.

The credit union has begun the new year with strong first quarter income growth and significantly reduced expenses related to computer operations and I believe the credit union is well positioned as we continue our mission of people helping people.



**ARDITH
RICHARDSON**
CHAIR, SUPERVISORY
COMMITTEE

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 as well as overseeing our audit function from both our independent public accounting firm Moss Adams and our NCUA federal regulators. Around mid-year, the committee in conjunction with credit union management retained the services of TWHC, a well-respected auditing firm to also perform internal auditing functions. An annual audit plan was developed, approved and implemented by the committee.

By year end, the committee saw most members including long time committee member and Chair Jacque Konstan, retire or resign to pursue other interests. In addition to my duties as Board Secretary, I volunteered to temporarily Chair the committee to lead new member

recruitment and interviews. Our Board of Directors has worked diligently to recruit new members and as of this writing, I'm please to share that new members have volunteered and are now serving the membership of the credit union.

The Supervisory Committee is the liaison between you, our members, and the credit union's staff and management. If you have any questions, concerns, or positive comments you want to share with the committee, please write us at Post Office Box 98, Edwards AFB, CA 93523. We will respond in an independent and timely manner.

Lastly, I'd like to thank our CEO, Roy MacKinnon, his executive management team, and all of the hard-working staff members at the credit union for the dedication to our membership. I'm proud to report that as verified by both outside and internal auditing activities, as well as our own observations, the credit union continues to operate in a safe, sound and prudent manner.

FINANCIAL REPORT

December 31, 2018 and 2017
(Unaudited)

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

	2018	2017
ASSETS		
Cash and Cash Equivalents	\$ 19,951,105	\$ 16,604,173
Investments	96,015,916	93,669,582
Loans Receivable, net	74,566,034	73,662,416
Property and Equipment, net	2,105,944	1,558,475
Share Insurance Deposits	1,810,907	1,779,994
Other Assets	4,841,287	3,958,399
TOTAL ASSETS	\$ 199,291,193	\$ 191,233,039
LIABILITIES AND MEMBERS EQUITY		
Accured Expenses and other Liabilities	1,694,303	1,796,351
Members' Shares	182,454,906	174,877,211
Retained Earnings	15,141,984	14,559,477
TOTAL LIABILITIES & MEMBERS EQUITY	\$ 199,291,193	\$ 191,233,039

December 31, 2018 and 2017
(Unaudited)

CONSOLIDATED STATEMENT OF INCOME

	2018	2017
INTEREST INCOME		
Interest on Loans to Members	\$ 3,769,465	\$ 3,821,597
Interest on Investments and Cash Equivalent	1,908,924	1,628,475
	5,678,389	5,450,072
INTEREST EXPENSE		
Dividends on Members' and Borrowed Funds	221,707	141,812
Net Interest Income	5,456,682	5,308,260
Provision for Loan Losses	273,241	335,500
Net Interest Income after Provision for Loan Losses	5,183,441	4,972,760
NON INTEREST INCOME/LOSS		
Income from Services	1,580,973	1,542,510
Miscellaneous Income	1,463,593	1,364,308
Non Operating Income/Loss	- 0	- 28,446
	3,044,566	2,878,372
GENERAL AND ADMINISTRATIVE EXPENSE		
Salaries and Benefits	3,174,051	3,014,345
Operations	4,299,965	3,733,750
Occupancy	171,484	179,716
	7,645,500	6,927,811
NET INCOME (LOSS)	\$ 582,507	\$ 923,321

LOANS

2018	\$ 74,566,034
2017	\$ 73,662,416
2016	\$ 73,727,752

ASSETS

2018	\$ 199,291,193
2017	\$ 191,233,039
2016	\$ 188,025,844

RETAINED EARNINGS

2018	\$ 15,141,984
2017	\$ 14,559,477
2016	\$ 13,636,156



56TH ANNUAL MEETING MINUTES

APRIL 26, 2018

CALL TO ORDER

Ron Guyadeen ascertained that a quorum was present. Ron thanked everyone for attending the 56th Annual Meeting of Edwards Federal Credit Union and called the meeting to order at 8:00 p.m. at the Hellenic Center, 43404 30th Street West, Lancaster, CA 93536.

Ron introduced himself and advised that Ron Davino and Martin O'Brien were not present and thanked all the attendees for attending the 56th Annual Meeting.

Ron led the Pledge of Allegiance and introduced Lindsay Harris for the Invocation.

Ron introduced the Board of Directors and Don Sullivan, the newly appointed Treasurer.

Ron asked if there were any objections to Don Sullivan being selected to become the Treasurer – No objections were noted.

Ron introduced Roy MacKinnon, President/CEO. Roy introduced the Senior Management team, and all of the employees present.

Ron introduced the 4th District Supervisor, Donna Termeer. Donna thanked Bob Large for his dedicated service and presented a signed award from Congressman Steve Knight, which was accepted by Roy MacKinnon on behalf of Bob Large.

55TH ANNUAL MEETING MINUTES

Ardith Richardson presented the 55th Annual Meeting Minutes, as submitted.

MOTION

It was moved, seconded, and CARRIED to approve the minutes of the 55th Annual Meeting (Cabrido/Wilk).

CHAIRMAN'S REPORT

Ron Guyadeen presented the Chairman's Report, as submitted. Ron advised that there has been a lot of changes in the credit unions IT department and thanked the IT team for the challenges that they have overcome in the previous year, as well as all of the employees at the credit union.

Ron introduced Don Sullivan, Treasurer.

TREASURER'S REPORT

Don Sullivan presented the Treasurer's Report, as submitted.

Ron introduced Jacque Konstan, Supervisory Committee Chair.

SUPERVISORY COMMITTEE REPORT

Jacque Konstan presented the Supervisory Committee Report, as submitted.

Jacque advised that credit unions are not-for-profit institutions that use member funds to bring better service back to the membership.

Ron introduced Roy MacKinnon, President/CEO.

PRESIDENT'S REPORT

Roy presented the President's Report, as submitted.

Roy thanked everyone for attending the annual meeting.

Roy asked staff to stand and introduced the senior staff members. Roy acknowledged and thanked the employees who have been with the credit union for 10 or more years.

Roy reviewed various promotions introduced by the credit union throughout the last year.

Roy advised that a new core system will go live on October 1st and that with this new core will come better service for the membership.



PRESENT

RONALD GUYADEEN, Vice Chairperson
DONALD SULLIVAN, Treasurer
ARDITH RICHARDSON, Secretary
KIMBERLY DUNHAM, Director
LINDSAY HARRIS, Director

ALSO PRESENT

JACQUE KONSTAN, Supervisory Committee Chair
ROY MacKINNON, President / CEO
MARC JACOBY, CFO
CHARLES BERNDT, Recording Secretary

EXCUSED ABSENT

RON DAVINO, Chair
MARTIN O'BRIEN, Director

SPECIAL GUEST

DONNA TERMEER, 4th District Supervisor

MEMBERS PRESENT – 79 NON-MEMBERS PRESENT – 13

OLD BUSINESS No old business to report.

NEW BUSINESS No new business to report.

OPEN FLOOR

1. Marlan Woodside advised that he wanted to thank the staff for their support provided in regards to the ATMs and asked if the new ATM systems being put into place soon would eliminate the staff following up with members to get their cards and if the base ATM machine could be fitted with a windshield/sun visor. Roy advised that he would have to discuss this matter with the Air Force Base in regards to retrofitting the ATM with any additional structure and that the ATM should be advising users if their card is still in the machine before they can walk away without removing it.

2. Mathew Montague raised concerns with various processes within the credit union, including compensation. Ron advised that when it comes to compensation the credit union is in line with other organizations with matching asset sizes in the area for their respective positions and that he would like to do whatever he could to ensure that Mathew was happy with his credit union.

3. Ronald Anderson asked if there was a possibility to do a second shred day this year. Roy advised that this may be possible in 2019, but for the 2018 calendar year this would not be possible and that there will be a shred day in October of this year.

4. Karl Major asked if the credit would consider looking at the share draft minimum required for on-base organizations and booster clubs, as these exclude some clubs on base due to the clubs inability to meet the requirements. Roy advised that this has been considered, but unfortunately the cost for these checking accounts is approximately \$300 a year and while booster club support is something that is desired, it is not

benefiting the whole of the credit union membership. The six (6) dollar fee, which annually, does not even equate to half of what these accounts cost to the credit union, is still more reasonable than what big banks charge.

5. Marlan Woodside asked if exit interviews were conducted on employees leaving the credit union to provide more insight as to their reasoning for leaving. Roy advised that a large number of employees left for higher paying jobs, family, family medical leave, and some others because they did not like the changes being made within the credit union, such as required increased accountability, but thus far in 2018 there have only been two (2) departures. This is significantly less than last year.

6. Anonymous thanked Roy for all of the work he has done to the credit union and that he/she likes the staff at the credit union.

ELECTION RESULTS

Kimberly Dunham, 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:

- Ardith Richardson
- Ron Guyadeen

Roy thanked Kimberly Luther for her work in preparing the annual meeting.

DOOR PRIZES

Edwards Federal Credit Union awarded door prizes.

ADJOURNMENT

Hearing no further business, the meeting was adjourned at 9:00 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

ARDITH RICHARDSON, Chairperson
ROSE CHARTIER, Committee Member
KORYNN KOHLER, Committee Member
ROBERTA ROSS, Committee Member

LEADERSHIP TEAM

ROY MACKINNON, President/CEO
SANDRA GROOVER, Chief Information Officer
MARC JACOBY, Chief Financial Officer
CRISTINA LOLLIS, Chief Xperience Officer
MICHAEL FRASCHILLA, VP Lending
ALEXANDRA KEENE, AVP Member Solutions



LOCATIONS

EDWARDS AFB

10 South Muroc Drive / Edwards, CA 93524
Lobby Hours / M-F 9 am - 5 pm

LANCASTER

44288 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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