

A vibrant landscape of the Antelope Valley Poppy Reserve. The foreground is a dense field of orange poppies. In the middle ground, a single large, leafy green tree stands on a grassy hill. The background shows rolling green hills under a bright blue sky with scattered white clouds.

We Are

Antelope Valley Proud!



2019
ANNUAL REPORT

PRESIDENT'S REPORT

Our theme, **We are Antelope Valley Proud**, truly summarizes the fantastic year your credit union had and is a testament of our ongoing commitment to our community.

Hard to believe now, but 2019 began with the longest government shutdown in our history. The impact was felt nationwide and here at home in the Valley, many credit union members were affected too. Your credit union stepped up by offering those members who were impacted a low 2% APR emergency bridge loan. Nearly \$300,000 was lent with many of the loans ranging from \$3,000 to \$5,000 dollars.

After the shutdown ended, the credit union kicked into high gear with promotions all year. In the Spring, we offered our annual auto loan and savings certificate promotions. At our annual meeting in April, members enjoyed a special evening that included music, dinner and fantastic raffle prizes donated by credit union vendors.

And in May, more than 2,000 members came out to the ballpark for our annual Member Appreciation Night at the JetHawks Hangar Stadium.

During the summer months we rolled on with a well-received recreational vehicle promotion and we installed a self-service coin counting machine at our Lancaster location. Now, members no longer have to roll coin before bringing it to the credit union. The Fall months saw the return of our popular football themed auto loan promotion. One lucky member won four tickets to the USC vs. UCLA football game and three others each won \$250 in cash. We also offered members new services like extended warranty coverage for autos and discounts when using our JetHawks Visa card at local Antelope Valley Merchants.

opening
in
2020!

Under Construction!

From the beginning of this project, your credit union was committed to helping the hard working women and men of Antelope Valley by hiring local trades whenever possible and putting money back into our community.



Our financials for 2019 were equally impressive. We finished the year with nearly \$1.2 million in net income — one of the best years in our history. This income helped push our capital reserves to 8.10%, a level not reached in nearly a decade. Other measurements of our successful year were equally noteworthy. Loans outstanding to members grew by over 3%, our operating expenses fell by nearly ½ percent and our provision for loan loss to average assets was just .15% at year-end compared to a peer .30%. By year end, and for the first time in our 57-year history, we closed the year at over \$200 million in assets.

Looking forward to the future, perhaps our most significant accomplishment of 2019 took place November 18th, when after more than 15 years of planning and dreaming, your credit union broke ground on our new location in Palmdale.

No sooner did we break ground than Murphy's Law took hold to delay construction with the Valley receiving not one, but two once in a generation snow falls, both over 5 inches and back to back! But construction is now well under way and we expect to open our doors by the end of 2020.

Our new location and the improvements we continue to make to your credit union will position us well for growth this year and beyond.

We are truly
**Antelope
Valley Proud!**

ROY MACKINNON | PRESIDENT/CEO



Artist's rendering of the credit union's new Palmdale location; Edwards FCU Board of Directors and President at ground-breaking November 18, 2019; foundations poured for a strong future.



CHAIR'S REPORT

2019 was another good year for our Credit Union. In fact, it was one of our best years ever and we are looking forward to the opening of our new branch in Palmdale. After years of planning, the construction of our new branch and administration building began at the end of the year. When the doors open in late 2020, it will be a state-of-the-art facility located on the corner of Avenue O-8 and 10th Street West. Members will have easy access with plenty of convenient parking, two drive through ATMs and we will be open to assist members on Saturdays. As we shared in our Winter issue of our quarterly member newsletter *inFormation*, we are committed to the community. We have hired numerous Antelope Valley contractors and as of this writing, we had signed contracts of more than \$2 million dollars with local trades and crafts in our community.

Our Information Technology (IT) department is another area that continues to make progress in a number of areas. First, is the security of member accounts. Our IT professionals ensure all of our software meets current standards and that appropriate updates are installed. I can't begin to explain the everyday security challenges that they face and the hard work they do to keep our accounts secure. Second, is their constant effort to improve our systems and make them easier to use. Improvements to our computer systems and online banking are in development and will be launched in late 2020.

Finally, our loan department continues to provide you with the best service in the Antelope Valley. During 2019, our lending department began offering insurance services for auto repair, they launched a new home equity loan and in early 2020 the credit union debuted a complete line of Clean Green loans for purchases like solar panels and electric/hybrid autos.

Edwards Federal Credit Union is the only credit union that was founded in and headquartered in the Antelope Valley. We are dedicated to our membership and the community and we know that you will enjoy the services and conveniences of the new branch. We look forward to meeting your financial needs and seeing you soon.

RON GUYADEEN | CHAIR, BOARD OF DIRECTORS



SUPERVISORY COMMITTEE REPORT

Reporting to the Board of Directors, the Supervisory Committee consists of five volunteer members who are responsible for ensuring the credit union operates safely, while adhering to all internal policies and federal laws and regulations.

In discharging our responsibilities in 2019, we reviewed teller work, conducted surprise vault audits and verified that the credit followed its own internal policies and procedures. Meeting monthly, we reviewed the credit union's overall performance with management as well as monthly internal audits. We also retained the services of two independent auditing firms and worked with TWHC, a Los Angeles based auditing firm for internal auditing functions. We contracted Moss-Adams, LLP for our annual independent audit and review of all areas of credit union financial reporting.

Following the plan developed in conjunction with TWHC and credit union management in 2018, the committee successfully completed our review. We are 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 and is in compliance with applicable laws and regulations.

SUPERVISORY COMMITTEE

TREASURER'S REPORT

2019 was a year of growth for our credit union. Total assets grew slightly more than \$1.8 million, to \$201.1 million from \$199.3, a 0.9% increase over 2018. Member shares (deposits), increased to \$183.3 million from \$182.5 million, an increase of 0.44%. Total loans also increased 9.1% to \$81.9 million compared to \$75.1 million in 2018. Loans granted in 2019 were \$ 22.1 million vs. \$14.6 million in 2018, an increase of 51.4%.

Income from loans and investments grew 9.2% to \$6.2 million compared to \$5.678 million in 2018. 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 actual loan losses to \$312,134 as compared to \$372,838 in 2018. Additionally, an updated investment strategy coupled with an increase in market rates helped boost investment yield compared to 2018. Investment income grew to \$2.3 million from \$1.9 million in 2018, an increase of 21%. Our member savers also did well in 2019 as dividends or interest paid to members was \$418,793 compared to \$221,707 in 2018, an increase of 89.0%.

As a result of prudent management of expenses, investments, and loan generation by management and staff, net income was \$1.168 million compared to \$580.9 thousand in 2018, an increase of 99.8%. This outstanding income enabled us to increase Reserves (or capital) to \$16.3 million from \$15.1 million, an increase of 7.9%. Our capital ratio (reserves divided by assets) is now 8.1% from 7.60% in 2018.

2019 was truly a year of growth in deposits, loans, income, dividends to members, and reserves.

DON SULLIVAN | TREASURER



As a major supporter
of the JetHawks Baseball
Foundation, each Spring
the credit union helps bring
the great sport
of baseball to more than
100 underprivileged youth
from our local Boy's
and Girl's Club.

FINANCIAL REPORT

Consolidated Statement of Financial Condition

December 31, 2019 and 2018 (Unaudited)

	2019	2018
ASSETS		
Cash and Cash Equivalents	\$ 24,536,124	\$ 19,951,105
Investments	84,594,903	96,015,916
Loans Receivable, net	81,435,015	74,566,034
Property and Equipment, net	2,039,894	2,105,944
Share Insurance Deposits	1,810,895	1,810,907
Other Assets	6,694,506	4,841,287
TOTAL ASSETS	\$ 201,111,337	\$ 199,291,193
LIABILITIES AND MEMBERS EQUITY		
Accrued Expenses and other Liabilities	1,469,052	1,694,303
Members' Shares	183,333,515	182,454,906
Retained Earnings	16,308,770	15,141,984
TOTAL LIABILITIES & MEMBERS EQUITY	\$ 201,111,337	\$ 199,291,193

Consolidated Statement of INCOME

December 31, 2019 and 2018 (Unaudited)

	2019	2018
INTEREST INCOME		
Interest on Loans to Members	\$ 3,890,220	\$ 3,769,465
Interest on Investments and Cash Equivalent	2,328,108	1,908,924
	6,218,328	5,678,389
INTEREST EXPENSE		
Dividends on Members' and Borrowed Funds	418,794	221,707
Net Interest Income	5,799,534	5,456,682
Provision for Loan Losses	297,457	273,241
Net Interest Income after Provision for Loan Losses	5,502,077	5,183,441
NON INTEREST INCOME / LOSS		
Income from Services	1,384,701	1,580,973
Miscellaneous Income	1,314,345	1,463,593
Non Operating Income/Loss	17,826	- 0
	2,716,872	3,044,566
GENERAL AND ADMINISTRATIVE EXPENSE		
Salaries and Benefits	3,184,864	3,174,051
Operations	3,688,944	4,299,965
Occupancy	176,734	171,484
	7,050,542	7,645,500
NET INCOME (LOSS)	\$ 1,168,407	\$ 582,507

CALL TO ORDER

Ron Davino ascertained that a quorum was present. Ron thanked everyone for attending the 57th 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 led the Pledge of Allegiance and introduced Lindsay Harris for the Invocation.

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

56TH ANNUAL MEETING MINUTES

Martin O'Brien presented the 56th Annual Meeting Minutes, as submitted.

MOTION

It was moved, seconded, and carried to approve the minutes of the 56th Annual Meeting (Jackson/Herbert)

CHAIRMAN'S REPORT

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

Ron stated that it had been his pleasure serving as Chair of the Board. Ron advised that the Board and Senior Management had met with the NCUA for their exit review, and the review had been very positive.

Ron stated that due to the core conversion and online banking interface, the credit union is in a period of change and that there are always sacrifices during periods of transition, so he hopes the members will continue to have patience.

Ron advised the membership that there is a renewal approaching on the rental agreement at the Lancaster Branch, and it has been decided to build a branch on the property in Palmdale and that the current Lancaster office would be closing, but it is the intent of the Board and Management to be back in Lancaster.

Ron stated that the strategic plan is to have the Main Branch at Edwards Air Force Base with the Palmdale Branch as an Administrative office and in the future opening a branch in Lancaster.

Ron introduced Don Sullivan, Treasurer.

TREASURER'S REPORT

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

Ron introduced Korynn Kohler, Supervisory Committee.

SUPERVISORY COMMITTEE REPORT

Korynn Kohler presented the Supervisory Committee Report, as submitted.

Korynn advised that the credit union is operating as expressed and that they are excited for the Palmdale Branch. Korynn stated that during this transition time with the supervisory committee that the staff at Edwards Federal Credit Union has been great to work with.

PRESENT

RONALD DAVINO | CHAIR
 DONALD SULLIVAN | TREASURER
 LINDSAY HARRIS | DIRECTOR
 MARTIN O'BRIEN | DIRECTOR

ALSO PRESENT

KORYNN KOHLER | SUPERVISORY COMMITTEE
 ROBERTA ROSS | SUPERVISORY COMMITTEE
 ROY MACKINNON | PRESIDENT | CEO
 CHARLES BERNDT | RECORDING SECRETARY

EXCUSED ABSENT

RON GUYADEEN | VICE CHAIR
 KIMBERLY DUNHAM | DIRECTOR
 ARDITH RICHARDSON | SECRETARY

PRESIDENTS REPORT

Roy presented the Presidents Report, as submitted.

Roy thanked everyone for attending the annual meeting.

Roy introduced the Senior Management Team. Roy acknowledged and thanked the employees who have been with the credit union for five (5) years.

Roy discussed the advancements that EFCU has achieved, such as mobile banking, a large ATM network, and staff that care about the members.

Roy discussed various changes that have occurred with the transition into a new core system.

OLD BUSINESS

No old business to report.

NEW BUSINESS

No new business to report.

OPEN FLOOR

Open charter, no ATMs in Cal City, past solution was allow four (4) per month ATM transactions to be reimbursed. As of last year the program disappeared.

Roy advised that the credit union should bring that back and that it was not intentional to discontinue it, and that it may have been part of the conversion.

Remove closed accounts from promotional mailings.

Roy advised that there are a lot of ghost accounts and that they were not being reported with the old system and that this is now being worked on.

Would you consider offering construction loans?

Roy advised that the credit union would and that the new system will have new products rolling out in 12 to 18 months. He advised that policies and procedures need to be in place first. Small business loans and constructions loans are something that the credit union would like to do in 12 to 24 months.

Mobile deposit issues.

Roy advised that the member should contact the credit union directly.

Where will the new credit union location in Palmdale be?

Roy advised that it will be located near the Logix branch on 10th Street West and Avenue O-8.

ELECTION RESULTS

Ron Davino, Chair, 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:

- **RON DAVINO**
- **KIMBERLY DUNHAM**
- **LINDSAY HARRIS**
- **DON SULLIVAN**

DOOR PRIZES

Edwards Federal Credit Union awarded door prizes.

ADJOURNMENT

Hearing no further business, the meeting was adjourned at 8:49 P.M.

VOLUNTEERS & OFFICERS

BOARD OF DIRECTORS

RON GUYADEEN
CHAIR

KIM DUNHAM
VICE CHAIR

DON SULLIVAN
TREASURER

LINDSAY HARRIS
SECRETARY

MARTIN O'BRIEN
DIRECTOR

RON DAVINO
DIRECTOR

SUPERVISORY COMMITTEE

ROSE CHARTIER | MEMBER

CAROL HARDY | MEMBER

KORYNN KOHLER | MEMBER

CONNIE REESE | MEMBER

LEADERSHIP TEAM

ROY MACKINNON
PRESIDENT | CEO

SANDRA GROOVER
CHIEF INFORMATION OFFICER

MARC JACOBY
CHIEF FINANCIAL OFFICER

CRISTINA LOLLIS
CHIEF EXPERIENCE OFFICER

ALEXANDRA KEENE
AVP MEMBER SOLUTIONS

LOCATIONS

EDWARDS AFB

10 South Muroc Drive

LOBBY HOURS
M-F 9 am - 5 pm

LANCASTER

44288 10th Street West

LOBBY HOURS	DRIVE-UP HOURS
M-F 9 am - 6 pm	M-F 8:30 am - 6 pm
SAT 9 am - 2 pm	SAT 9 am - 2 pm



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