

2021
annualreport

STAYING *the* Course




edwards
FEDERAL CREDIT UNION

STAYING *the* Course & Standing by Our Members

2021 was supposed to be the year that we all went back to normal or at least a new normal in the era of COVID. Sadly, it seemed no sooner that masks came off that they went right back on and America faced its next COVID wave thanks to Omicron. The past year was not only a continuation of the COVID pandemic, but all of America felt the economic changes the pandemic brought including supply chain issues and inflation. Meanwhile, your credit union pushed forward and stayed the course of our primary mission — providing affordable financial services to our members, even during the most challenging of times.

As 2021 dawned, we were still getting comfortable our new core computer system (launched December 7, 2020) and we were readying ourselves for moving from our Lancaster home of nearly 20 years to our new flagship branch and administration building, just five miles down the road in Palmdale.

We open our doors on St. Patrick's Day March 17th and from day one, the response from members and the community to our new location has been fantastic. Members have commented on the light and bright modern facility, ample parking, both walk-up and drive through ATMs (as well as an ATM inside!) and our unique Celebrating Our Antelope Valley mural in the front lobby. Our new location has consistently attracted new members as well with more 1,000 new members joining our credit union family in 2021. Both new and existing members took advantage of our many loan products with the credit union funding over \$32 million in new loans despite the challenges COVID presented.



Throughout the year we used our front mural lobby area in new ways including hosting the Lancaster High School Holocaust Art Competition, displaying Harley Davidson motorcycles inside and in the Fall a very slick metallic red Mazda sport coupe outside. In early November we hosted a food drive to help restock the food pantry at the Antelope Valley college and we wrapped the year up with a special holiday display complete with giant 8 x 12 train layout (for kids young and old) circling a giant Christmas tree. 2021 also saw the credit union reach out directly to the Hispanic community in the Antelope Valley through both radio and our first ever television commercial in Spanish. Both initiatives were well received in the community. Lastly, for the second year in a row, we hosted our Annual Membership Meeting virtually with every member in attendance receiving raffle gift cards. (In 2022, we plan to return to in person meetings.)

Unfortunately, the economic impact of COVID hit home at our credit union in 2021. With lower rates for loans and some of the lowest yields for investments in a generation, we sustained a net income loss of \$222,552. This loss along with excessive deposits from multiple government stimulus programs required us to reduce dividends regularly throughout the year. To counter these challenges, management worked throughout the year to reduce expenses by renegotiating contracts with many of our service providers.

These changes as well as other internal efficiency improvements are expected to help us return to positive net earnings in 2022. During this difficult time, we stood by our members and I'm thankful that they too stood by us. I want to thank all members, both longtime and those that may have just joined us in the past year for your continued credit union support.

chair's Message

RON GUYADEEN | CHAIR, BOARD OF DIRECTORS

While we are very proud of the services we have provided to our members for the last 60 years, the past two years have been filled with challenges unlike any other time. The pandemic presented more than the normal challenges for our credit union, but as we emerge from the stifling effects of COVID, we have chosen to move forward with optimism.

As you know, complications related to the pandemic led to staffing shortages and departures which led to lobby closures and ultimately the hiring of some new employees. We truly appreciate your patience and understanding as we train our new staff to work to meet your financial needs. All of us continuously evaluate how best to serve and keep you and our staff safe during these unprecedented times, while maintaining the services you expect from us. We remain optimistic that we have the ability to offer affordable loans to help members who need to borrow, attractive rates for our savers all while staying the course and committing to update and maintain our computer systems safety and security.

We also continue our support to the local community whenever possible. As you may remember last Christmas, we had a dazzling display and Santa mailbox for our younger members. The Muroc Community Room is being used for various events and is available to community organizations. We held a food drive to replenish the "pantry" at AV College for students in need of food. Finally, let's not forget the successful shred day that we held in October. All of this is to support our members and community needs.

With the variety of services we provide members and the number of times we have shared with the community that they can join our amazing credit union, I'm still surprised at the number of people who have not taken advantage of credit union membership with Edwards. I hope you will continue to help us spread the word about the value of our credit union.

Lastly, I want you to know that the management team has worked extremely hard during the past two years to meet the needs of our membership and we will continue to find ways to make your experience with us more enjoyable in this unprecedented financial environment.

supervisory committee Report

ROSE CHARTIER | CHAIR, SUPERVISORY COMMITTEE

The Supervisory Committee is composed of member volunteers who are responsible for ensuring the credit union follows established policies and procedures as well as stays in compliance with all state and federal regulations.

Reporting directly to the credit union's Board of Directors, we review internal auditing procedures and results from our internal auditing staff as well as TWHC, our outside internal auditors.

During 2021, we oversaw two annual external audits. Both the National Credit Union Administration (NCUA) as well as our independent public accounting firm of Moss Adams completed examinations of the credit union's records, policies and security of the credit union's computer systems.

Upon completion of these examinations, we can report to the membership that the credit union continues to follow all laws and regulations and is considered safe, sound and well managed.

treasurer's Message

DON SULLIVAN | TREASURER

2021 presented unique challenges to the credit union but through it all, staff and management stayed committed to providing affordable financial services to the membership. Continuing the significant growth in savings deposits from our members started in 2020, from a 2019 baseline of \$183,333,515 and total assets of \$201,111,337, our savings deposits and total assets have grown over the last two years to deposits of \$237,551,298 and assets to \$253,802,074 by end of year 2021. This represents a growth in shares (deposits) of \$54.2M or 29.6% and a growth in total assets of \$52.7M or 26.2%.

Loans on the other hand, have not kept pace with share growth. Loan growth from the baseline of year 2019 of \$81,435,017 to end of year 2021 is \$102,882,406, a \$21.4M or 26.3% growth rate. The credit union's management invests the difference between shares and loans in a very limited permissible set of investment types or options. Investments have increased over the last two years from \$109,131,027 to \$132,362,796. This represents a growth of \$23.2M or 21.3%.

As we are all aware, the Federal Reserve has kept loan and investment rates at very low near zero levels for the last two years, which has resulted in large decreases in income over the same period. Income in 2019 was \$8,935,200 compared to \$8,009,184 in 2020 and \$8,141,409 in 2021. Expenses over the last two years have also increased and impacted net income. Extra ordinary, onetime expenses related to the pandemic, our Lancaster lease expiring, new upgraded computer systems, and the standing up of our new facility drove expenses up over the normal operating level we would have expected. In-house collection processes helped keep delinquencies and charge-offs at record low levels for 2021. Expenses in 2019 were \$7.2M compared to 2020 of \$7.8M and 2021 of \$8.4M.

All this turmoil in the economy effecting unemployment, low earning rates, businesses closing, supply chain shortages, shortage of cars, our lease expiring, and the new facility coming online - when all combined, resulted in the credit union having to dip into its reserves in both 2020 and 2021 with losses for 2020 of \$198,279 and for 2021 of \$222,552. Subsequently, our reserve account decreased from \$16.3M to \$15.9M. Our investment accounts took a book value reduction, based on the estimated low resale value, of \$1.2M bringing our reserve Retained Earnings account to the \$14.7M shown on the financial statements.

Credit union management and staff continued throughout this period to provide outstanding member service with little disruption caused by the pandemic safety processes, pandemic caused staff shortages, physical moves, new systems, and a new facility.

With 2022 showing a slow but steady return to a more normal economy with rising earning rates in investments and loan borrowing rates, full employment, and consumer spending up, the credit union is well poised to reverse the trends of the last two years and move into a more profitable future.

Consolidated Statement of **FINANCIAL CONDITION**

December 31, 2021 and 2020 (Unaudited)

	2021	2020
ASSETS		
Cash and Cash Equivalents	\$ 16,912,530	\$ 25,429,874
Investments	115,450,266	90,706,616
Loans Receivable, net	102,882,406	97,486,388
Property and Equipment, net	10,789,459	1,846,860
Share Insurance Deposits	2,190,096	1,927,197
Other Assets	5,577,317	13,880,129
TOTAL ASSETS	\$ 253,802,074	\$ 231,277,064
LIABILITIES AND MEMBERS EQUITY		
Accrued Expenses and other Liabilities	1,571,461	1,477,291
Members' Shares	237,551,298	213,689,282
Retained Earnings	14,679,315	16,110,491
TOTAL LIABILITIES & MEMBERS EQUITY	\$ 253,802,074	\$ 231,277,064

Consolidated Statement of **INCOME**

December 31, 2021 and 2020 (Unaudited)

	2021	2020
INTEREST INCOME		
Interest on Loans to Members	\$ 4,171,009	\$ 4,023,196
Interest on Investments and Cash Equivalent	1,042,866	1,706,474
	5,213,875	5,729,670
INTEREST EXPENSE		
Dividends on Members' and Borrowed Funds	247,860	423,520
Net Interest Income	4,966,015	5,306,150
Provision for Loan Losses	26,000	(190,000)
Net Interest Income after Provision for Loan Losses	4,992,015	5,116,150
NON INTEREST INCOME / LOSS		
Income from Services	1,036,816	948,787
Miscellaneous Income	1,890,718	1,330,727
Non Operating Income/Loss	- 0	- 0
	2,927,534	2,279,514
GENERAL AND ADMINISTRATIVE EXPENSE		
Salaries and Benefits	3,536,120	3,488,260
Operations	4,116,858	3,867,039
Occupancy	489,123	238,644
	8,142,101	7,593,943
NET INCOME (LOSS)	\$ (222,552)	\$ (198,279)

THE 59th ANNUAL MEETING MINUTES

JUNE
24
2021

THE ATTENDEES
AND BOARD WERE
INTRODUCED
- BY -
CHAIR RON GUYADEEN,
AS FOLLOWS:

PRESENT

RON GUYADEEN | CHAIR
KIM DUNHAM | VICE-CHAIR
DON SULLIVAN | TREASURER
LINDSAY HARRIS | SECRETARY
ARDITH RICHARDSON | DIRECTOR
MARTIN O'BRIEN | DIRECTOR
RON DAVINO | DIRECTOR

ALSO PRESENT

ROY MACKINNON | PRESIDENT / CEO
CONNIE REESE | CHAIR, SUPERVISORY COMMITTEE
20 | MEMBERS 7 | EMPLOYEES

CALL TO ORDER

The annual meeting was called to order at 5:01 p.m. by Chair Ron Guyadeen. A quorum was Present. The Pledge of Allegiance was recited. Chair Ron Guyadeen welcomed all members to the 59th Annual Meeting; attendees were apprised of the protocol (e.g., questions will be answered, use of remote screen items for participants).

The Minutes of the 27 August 2020 Annual Meeting were presented by Lindsay Harris, Secretary.

Chair Ron Guyadeen called for a motion to approve the minutes of the 2020 Annual meeting.

MOTION

It was **moved, seconded, and CARRIED** to approve the minutes of the 2020 Annual meeting (Laurel Forest/Parker Esters).

CHAIR REPORT

Ron Guyadeen presented the report as submitted.

TREASURER'S REPORT

Presented by Don Sullivan, as submitted.

- 2020 was an unusual year
- Decrease in income and increase in expenses
- Dividends maintained, slight increase
- Average member balance grew (industry-wide trend)
- Delinquencies and charge-offs were held to a low number (\$314K)
- Prudent management of investment, expenses, and loans resulted in low losses (\$198K)
- Sustained positive income (over the last three years) of over \$2.7M

SUPERVISORY COMMITTEE REPORT

Presented by Connie Reese, as submitted.

CEO REPORT

Presented by Roy MacKinnon, as follows:

- Appreciation of Board, management team, and staff
- Strategic initiatives (Palmdale groundbreaking, computer system upgrade)
- Computer system is performing as advertised; new system is robust
- Opening of new branch
- Pandemic
- No employees were laid off during 2020
- Loan volume driven mostly by real estate financing boom
- Credit unions have expanded services since inception of credit unions
- EFCU will celebrate 60th anniversary in 2022
- New branch planned for Lancaster
- New products and services are in the planning stages
- Next annual meeting may be held in person

OLD BUSINESS

Nothing to report.

NEW BUSINESS

Nothing to report.

QUESTIONS FROM THE MEMBERS

Roy MacKinnon advised that there was one question, from Bonnie Large

MARKETING TO THE YOUNGER COMMUNITY POPULATION – EFCU recognizes the importance of bringing in next generation of new members, is arranging for school-age children to tour facility, career choices for high-school aged and new graduates, money management education opportunity, community outreach is a priority, and one-day carnival and holiday-themed promotion are in the planning stages.

NOMINATION COMMITTEE CHAIR

Kim Dunham, Election Committee 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 Guyadeen
- Ardith Richardson

CLOSING COMMENTS

Roy MacKinnon advised that all attendees would be receiving a gift card in the mail via Fed Ex; the following vendors supplied gift cards:

- Level 5 – Design Build Firm
- B-tech - IT
- Stifel Associates - Investments firm
- Paul Lucas – Third Party Marketing
- Performance Trust - Investments
- CU Lending - Mortgage
- PCSU - Debit and Credit Cards
- Joe Sacco - Marketing and Public Relations *(provided Palmdale mural)*

ADJOURNMENT

Chair Ron Guyadeen adjourned the meeting at 5:26 p.m.

BOARD OF DIRECTORS

RON GUYADEEN CHAIR	KIM DUNHAM VICE CHAIR	
DON SULLIVAN TREASURER	LINDSAY HARRIS SECRETARY	RON DAVINO DIRECTOR
MARTIN O'BRIEN DIRECTOR	ARDITH RICHARDSON DIRECTOR	

SUPERVISORY COMMITTEE

ROSE CHARTIER CHAIR	CONNIE REESE MEMBER
CAROL HARDY MEMBER	

LEADERSHIP TEAM

ROY MACKINNON PRESIDENT / CEO	EWA LIPINSKA CHIEF FINANCIAL OFFICER
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SANDRA GROOVER
CHIEF INFORMATION
OFFICER

CONTACT INFORMATION

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www.edwardsfcu.org

LOCATIONS

EDWARDS AFB

10 South Muroc Drive

MONDAY - FRIDAY
9 am - 5 pm

PALMDALE

39963 10th Street West

MONDAY - FRIDAY
9 am - 6 pm

SATURDAY
9 am - 5 pm



the
PRIDE
of our
Community



**Our new facility stands strong and proud ready to serve
our community of the entire Antelope Valley — not to mention it makes a nice backdrop for this shiny new Mazda.**



Shooting our first English and Spanish television commercial inside our Palmdale branch.



Our Palmdale lobby Christmas display delighted children young and old during the holidays.