

# 2022 ANNUAL REPORT

Creating exceptional financial opportunities for all members  
and their families today, and for generations to come.



**F&A Federal  
Credit Union**



Mary E. Gutierrez  
Board of Directors Chair



Tim Green  
President/CEO

# CHAIR/CEO REPORT

Continuing Our Tradition of  
Delivering Exceptional Value  
and Service

**At F&A Federal Credit Union, 2022 was another extraordinary year. We continued to provide exceptional value to our members while maintaining our position as one of the strongest credit unions in the country.**

F&A ended the year with approximately \$2.2B in Total Assets, a decrease of 0.26% from 2021 as members began to spend down the excess deposits that built up during the pandemic. Lending continued to grow at a strong rate with total loans increasing nearly 20% from 2021 to \$773MM. Although member share deposits decreased by 1.48% from the prior year to nearly \$2B, capital remained strong at over 14%, demonstrating our resilience and financial strength following the pandemic. Our strong net worth position puts us in the top 90% of all credit unions in the US, and ensures your deposits are safe and we have sufficient reserves to weather unexpected economic changes.

Net income was over \$16MM for the year and Return on Assets was a solid 73 basis points which demonstrates our success navigating a rapidly rising interest rate environment. However, profitability is not the only metric we focus on when measuring success at F&A. We focus on the exceptional value that F&A members have grown accustomed to

with competitive dividend rates and low fees afforded by operational efficiency. We again delivered tremendous value to our members with average dividends per member in the top 3% of credit unions over \$1B. We continued to operate one of the most efficient credit unions in the country, with our cost of operations in the bottom 2% of the industry.

In 2022 we continued to execute our three-year strategic plan with three key focus areas: Digital Transformation, Member Financial Wellness, and Service Excellence. Each area saw major accomplishments:



# OUR MISSION

We help our members reach their financial goals at every life stage by providing access to the highest value products, superior service, and trusted advice.

## DIGITAL TRANSFORMATION

Our Digital Transformation objective is to ensure our members have the best technology to accompany our exceptional value and personalized service. F&A employed significant resources in 2022 to manage the upgrade of our digital banking platform. In February, 2023 members began enjoying an updated modern, intuitive system providing secure, convenient banking anytime, from anywhere. Our enterprise-wide evaluation of a new core banking processor was also completed in 2022, with conversion activities scheduled to begin in Q2 2023.

## FINANCIAL WELLNESS

To help our members manage their finances with confidence, we have taken a three-phased approach to Financial Wellness. Our first goal was to provide members with intelligent web-based content tailored to individual needs. We partnered with the award-winning Enrich financial education platform and launched the tools in early 2022. In the years to come we will augment this online education with in-house personal financial coaching coupled with digital budgeting and spending tools, all designed to ensure F&A equips its members with the knowledge to maximize their financial success.

## SERVICE EXCELLENCE

Our team continued to evaluate our internal processes, analyzing touchpoints, and developing solutions to make it easier to do business with us. We strive to eliminate friction and will continue to evaluate our internal processes to improve the member experience on an ongoing basis.

In summary, 2022 was an incredible year and one the Board of Directors and Management are extremely proud of. All of this is possible because F&A Federal Credit Union has loyal and dedicated members and staff who believe in our vision to create exceptional financial opportunities for all members and their families today, and for generations to come.

On behalf of the Board of Directors and the F&A team, we are grateful for the opportunity to serve and meet the financial needs of such an extraordinary group of people. We thank you for your valued membership and your trust in us.



Mary E. Gutierrez  
Board of Directors Chair



Tim Green  
President/CEO



**J. Lopez**  
Supervisory Committee Chair

# SUPERVISORY COMMITTEE REPORT

## Protecting Our Members' Interests

F&A's Supervisory Committee is composed of five volunteer members appointed by the Board of Directors.

The Committee is charged with ensuring that the Board of Directors and management of the Credit Union:

- Meet required financial reporting objectives and
- Establish practices and procedures sufficient to safeguard members' assets.

With the assistance and cooperation of management, the Committee verifies that the Credit Union follows safe and sound business practices and meets the regulatory standards established by the National Credit Union Administration (NCUA). The committee also monitors the timely execution of an annual internal audit plan that ensures internal controls remain in compliance with applicable laws, rules, and generally accepted accounting practices. These responsibilities are accomplished through an external financial audit performed by Turner, Warren, Hwang, and Conrad AC (TWHC), a national CPA firm with recognized expertise in the credit union industry. TWHC's final opinion is that F&A's internal controls are satisfactory, and the financial statements

were fairly presented in all material respects. Further, the Credit Union conducts multiple internal audits throughout the year with the assistance of multiple third-party subject matter experts.

Based on our review of the independent auditor's report, and the results of the NCUA examination, I am pleased to report that it is the opinion of your Supervisory Committee that the Credit Union's policies, procedures and practices are sound, and that F&A Federal Credit Union continues to perform well compared to peer credit unions.

I would like to acknowledge the contributions of my fellow Supervisory Committee volunteers: Pablo Valadez, Margaret Kanishock, George Wright and our newest member, Raymond Smith. They join me in expressing our gratitude to the Credit Union Board of Directors, management, and staff for their dedication to ensuring that F&A Federal Credit Union remains a financially sound financial institution.

A handwritten signature in black ink that reads "J. Lopez". The signature is written in a cursive, slightly slanted style.

J. Lopez  
Supervisory Committee Chair

# 2022 FINANCIAL STATEMENTS

Statement of Financial Condition  
(in thousands) At December 31, 2022 (Unaudited)

Statement of Income & Expense (in thousands)  
For the Year Ended December 31, 2022 (Unaudited)

<b>Assets</b>	
Loans to members	\$ 773,170
(Less) Credit loss reserve	(1,768)
Total net loans to members	\$ 771,402
Cash and cash equivalents	\$ 122,446
Investments:	
Securities available for sale	\$ 1,087,470
Securities held to maturity	64,070
Other	93,349
Total Investments	\$ 1,244,890
Accrued interest on loans	\$ 1,485
Accrued interest on investments	\$ 3,479
Land and building, net of depreciation	\$ 7,753
Other fixed assets, net of depreciation	\$ 802
National CU Share Insurance Fund deposit	\$ 17,429
Other Assets	32,789
Total Assets	\$ 2,202,474
<b>Liabilities, Member Deposits and Equity</b>	
Accounts payable and other liabilities	\$ 131,283
Member Shares:	
Regular shares	\$ 355,938
Share drafts	\$ 274,639
Money market accounts	\$ 804,303
Share certificates	\$ 360,632
IRA share and certificates	82,300
Total member share accounts	\$ 1,877,811
Capital arising from acquisition	
Member equity:	
Regular reserves	\$ 15,022
Undivided earnings	\$ 302,114
Accumulated other comprehensive loss	(124,305)
Capital arising from acquisition	550
Total members' equity	\$ 193,380
Total Liabilities, Member Deposits and Equity	\$ 2,202,474

<b>Interest Income</b>	
Loan receivable	\$ 22,082
Interest-bearing accounts & investments	25,122
Total interest income	\$ 47,205
<b>Interest Expense</b>	
Members' share accounts	\$ 14,504
Borrowed funds	1,108
Total interest expense	\$ 15,612
<b>Credit Loss Expense</b>	\$ 671
<b>Net Interest Income after Credit for Loan Loss</b>	\$ 30,922
<b>Non-Interest Income</b>	\$ 6,185
<b>Non-Interest Expense</b>	\$ 20,757
<b>Net Income</b>	\$ 16,350

F&A Federal Credit Union's capital ratio increased to 14.42%, as of December 31, 2022, from 13.15%, as of December 31, 2021, displaying our resilience and our financial strength following the pandemic. We remain one of the strongest credit unions in the country, which allows us to continue serving our members' financial needs while protecting the credit union against unforeseen risk.

Our return on assets of 0.73% in 2022 demonstrates our success navigating rapidly rising interest rates. At December 31, 2022, our total assets were \$2.2B, a decrease of 0.26% from the prior year's total. Member loans grew 19.55% in 2022 to \$773MM. Member share deposits decreased by 1.48% from the prior year to \$1.878B as members begin to spend the inflated pandemic driven deposits. With net income of \$16.35MM for the year ended December 31, 2022, our members' total equity increased by 5.72% from December 31, 2021. We remain committed to providing our members with low loan rates and minimal fees while maintaining very competitive dividend rates on share deposits.



## BOARD OF DIRECTORS



**Mary E. Gutierrez**  
Board Chair



**Richard A. Russell**  
Vice Chair



**Chris E. Bundesen**  
Secretary/  
Treasurer



**Theresa R. Barrera**  
Board Member



**William "Blackie"  
Blackburn**  
Board Member



**Michael H. Carnes**  
Board Member



**Andy M. Doyle**  
Board Member



**Robert Heinzel**  
Board Member



**Van Mark Madrigal**  
Board Member

## SUPERVISORY COMMITTEE



**J. Lopez**  
Supervisory  
Committee Chair



**Margaret Kanishock**  
Supervisory  
Committee Member



**Raymond B. Smith**  
Supervisory  
Committee Member



**Pablo Valadez**  
Supervisory  
Committee Member



**George Wright**  
Supervisory  
Committee Member

## SENIOR MANAGEMENT



**Tim Green**  
President/Chief  
Executive Officer



**Michael Harden**  
EVP/Chief  
Investment Officer



**Brendan Flannery**  
SVP/Chief Digital  
Transformation &  
Information Security  
Officer



**Michelle Swauger**  
SVP/Chief  
Administrative  
Officer



**Michael Welch**  
SVP/Chief  
Lending &  
Branch Ops.  
Officer



**Yong Whang**  
SVP/Chief  
Technology  
Officer

# OUR VALUES



## **SERVICE**

We put our members first.

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## **INTEGRITY**

We hold ourselves to the highest ethical standards.

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## **RESPECT**

We value each other through teamwork, respect, kindness, and inclusion.

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## **ACCOUNTABILITY**

We consistently deliver on our commitments.

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## **EXCELLENCE**

We embrace challenges and relentlessly pursue the best solutions.



# F&A Federal Credit Union

2625 Corporate Place | Monterey Park, CA 91754,  
13303 Hadley Street | Whittier, CA 90601  
Phone: 800-222-1226 | Fax: 323-980-5988 | FAFCU.org



Insured by **NCUA**