

## Report from the Chairman of the Board of Directors

Thanks to our member-owners, staff and management, 2019 was another great year for East County Schools Federal Credit Union (ECSFCU).

We offered several free informational seminars this past year, including Buying or Selling a Home and Down Payment Assistance. These were all well attended and provided valuable information to our members.

2019 brought an improved onboarding program for our newest members that allowed us to welcome them with more information about programs and services available to improve their finances and a survey that has allowed us to further improve our offerings. Free Credit Reviews is an example of a service we formalized and now offer to all of our members.

There were additional products and services added for 2019: Now available in our branches are prepaid Visa gift, travel and reloadable prepaid cards. These are great for gifts and traveling. A Classified School Employee Summer Assistance Program Line-of- Credit program was implemented, to allow many more of our members to take advantage of a new California Department of Education summer savings dollar-for-dollar match program with almost no out-of-pocket monthly contributions. This line-of- credit will be offered in 2020 as well.

In December, ECSFCU was one of four credit unions selected by the World Council of Credit Unions to meet with a nine person delegation from Costa Rica-based CopeAnde No. 1. CopeAnde is one of the largest credit unions in Latin America with assets of more than \$900 million and serves more than 70,000 members from public, private, semi-private educational and universities throughout the country at 23 branch locations. Innovation in serving our members and our outstanding reputation that we were determined our selection for this special meeting and exchange.

We are excited about new technology coming, and new programs and improvements we are making that will enhance the ways we serve our members in 2020. If you know someone who would like to join, remember we can come to you.....we really like to personalize our visits and communications with you.

Regards,



Patricia Floyd  
Chairman of the Board

## Report of the Supervisory Committee

The Supervisory Committee's primary function is to monitor the Credit Union's financial operations and ensure that the Board of Directors and the Management Team operate in accordance with the regulations established by the National Credit Union Administration (NCUA), the credit union's bylaws and other state and federal law. The committee members oversee the annual independent audit of the Credit Union and report the findings and deficiencies of each year's audit to the Board of Directors and the members.

Richards & Associates completed the Credit Union's Annual Audit of Financial Condition for the period ending June 30, 2019. In their report, the independent auditors expressed an unqualified opinion on the Credit Union's financial statements and confirmed that East County School's Federal Credit Union's financial position continues to be strong.

In addition to the annual audit, Richards & Associates and Doeren Mayhew, CPA's and Advisors were used to perform internal audit projects. During 2019 those projects included a review of the system of internal controls in each operational area. All compliance audits were completed as mandated by federal and state regulators. The Supervisory Committee worked with Management to address any reported issues. Action has been taken to enhance the scope and depth of the required audits, with additional reviews of lending practices, branch operations, compliance audits, fraud prevention and internal controls. Computer/system security and fraud prevention continue to be an industry wide concern.

These detailed audit reports have proven to be of assistance to the Credit Union's Management and, of course, helps the Supervisory Committee comply with our oversight responsibilities that include the requirement to (1) provide the annual audit, (2) safeguard assets, (3) review internal controls, (4) work with the auditor, (5) ensure corrective actions are taken, (6) meet with federal examiners, (7) research member complaints and (8) perform biannual verification of member accounts.

Respectfully submitted,



Bradley Wilkinson  
Chairman

## Report of the President/CEO

2019 was a year to remember for growth and positioning for the future.

Our efforts to connect with school district administrators, bargaining unit leadership and governing board members has effectively demonstrated a "school employee benefit business model" and has set us apart from all other financial institutions. ECSFCU provides unique products and services for the benefit of all East County school employees and we top it off with a staff of employees that are committed and engaged in serving this membership with excellence beyond expectations.

Let me share with you a few examples of the record growth we have achieved in 2019:

**Loans to Members** - We had the largest growth in Loans to our Member-owners in the 63+ years we have been serving our East County School employees (\$11.1M and 24.44%). This growth has been led by mortgage loan growth, however, auto loans and credit card lending have also contributed significantly in 2019. We are particularly proud of the favorable rates that we are able to provide our member-owners, along with virtually no loan fees and exceptional service from our staff and preferred providers, New Cars, Inc. and Mason-McDuffie our mortgage loan underwriter.

**Loan Quality** - It's one thing to have strong loan growth, it's another to have growth in quantity AND quality. A hallmark of our school employee member-owners has been their excellent payment history that allows us to offer our loan products at unusually low rates as we have an unusually low Delinquency and Charge-Off history. That said, our Charge-Off Ratio was the lowest in the past 50 years.

**Operating Expenses** - Another impressive element of East County Schools Federal Credit Union is our low Operating Expense ratio. At 2.68% we are 30% lower than our Peer Group and 37% lower than the national average for all financial institutions. We take our fiduciary responsibility very seriously as our low operating expenses allow us to minimize and often times eliminate fees to our member-owners. In relation to Fees-Per-Member we are among the lowest 4% of all financial institutions in the US.

On the heels of 2019 we are excited for what is in store for 2020 in terms of enhancements to our "High-Tech" and "High Touch" service standards. We have plans to launch several enhancements that address our over-arching goal of providing communications with our member-owners in whatever manner they find most convenient for them. Watch for announcements coming throughout 2020.

In addition, "Faster Payments" is a priority within the finance industry and ECSFCU is no different. The advancements in the digital wallet space as well as "Person-to-Person" payments will provide our member-owners with payment alternatives, speed and reduced fraud.

Lastly, we are very excited to be the first financial institution to launch a game-changing new school employee benefit that will provide interim salary advances up to \$1,000 a month in complete confidence and at no cost to the employees of our participating districts. And what makes this program even more impressive is that advances will be credited to our member-owners accounts within 1-hour of the advance request, 24/7/365. Yes, a Salary Advance request submitted via a mobile app at 1:45 am will be credited at 2 am, even on the weekend.

On behalf of the Board of Directors, Supervisory Committee, Management Team and staff, I want to thank our member-owners for the privilege of serving your financial needs, whatever, whenever, and however they are needed. We are here for you!



Steven A. Devan  
President & Chief Executive Officer

# 2019

## ANNUAL REPORT

President / CEO  
Board of Directors Chairman  
Supervisory Committee Chairman  
Financial Statements

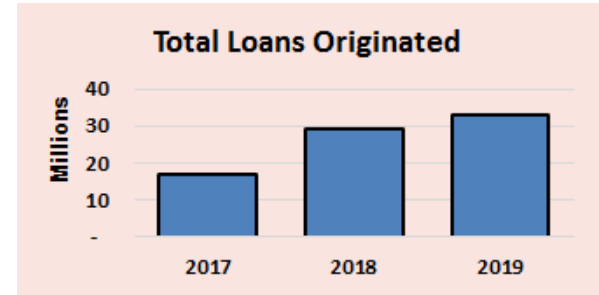
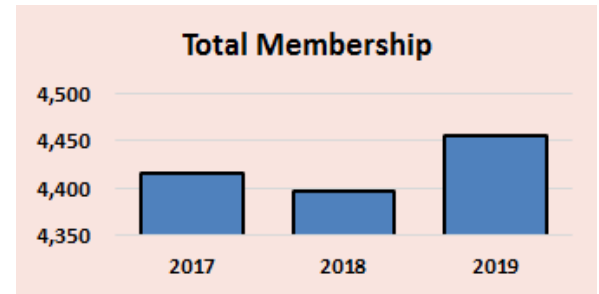
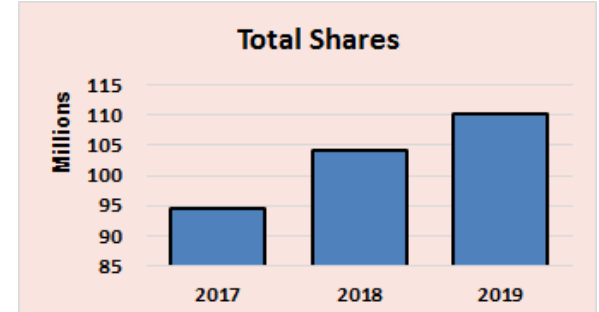
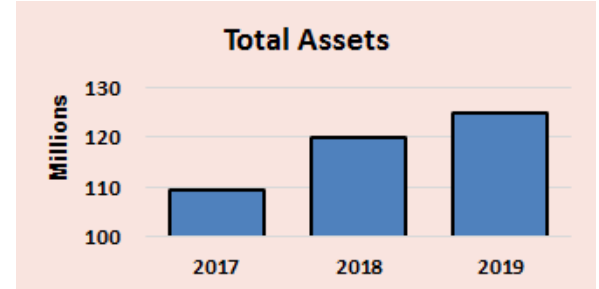
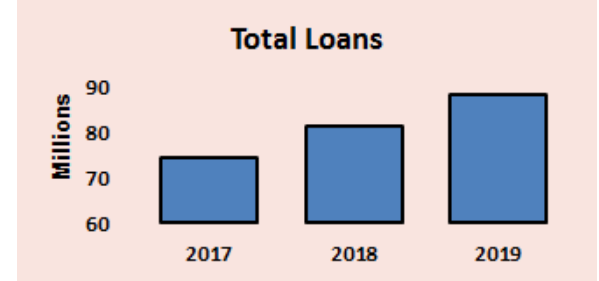


ASSETS	2017	2018	2019
Members' Loans	74,269,555	81,277,532	88,284,244
Cash In Bank & Change Fund	572,051	632,940	636,081
Catalyst Corp FCU	472,105	1,541,202	1,563,875
Other Investments	30,535,578	32,864,894	30,701,805
All Other Assets	3,774,670	3,827,674	3,827,393
Allowance for Loan Losses	-243,843	-298,972	-291,266
<b>Total Assets</b>	<b>109,380,115</b>	<b>119,845,269</b>	<b>124,762,132</b>

LIABILITIES AND CAPITAL	2017	2018	2019
Accounts Payable	545,377	1,402,091	494,199
Other Liabilities	4,760,224	4,081,226	2,929,044
Share Drafts	23,894,760	31,423,786	30,785,186
Regular Shares	23,185,727	26,900,679	26,900,679
Money Market Shares	29,142,125	29,081,636	27,404,958
IRA Shares	3,525,812	3,255,340	3,389,289
Share Certificates	14,840,435	13,497,656	15,197,679
Non-Member Shares	-	-	6,335,016
<b>Total Member Shares</b>	<b>94,558,860</b>	<b>104,159,097</b>	<b>110,286,243</b>
Regular Reserves	4,132,774	4,132,774	4,132,774
Undivided Earnings	5,391,519	6,089,402	6,915,039
Unrealized G/L Investments	-38,639	-19,320	4,834
<b>Total Liabilities and Capital</b>	<b>109,380,115</b>	<b>119,845,269</b>	<b>124,762,133</b>

INCOME	2017	2018	2019
Interest On Loans	2,904,732	3,058,303	3,373,799
Income From Investments	473,420	681,747	795,627
Other Operating Income	434,044	446,310	474,994
<b>Total Gross Income</b>	<b>3,812,196</b>	<b>4,186,360</b>	<b>4,644,420</b>
Total Operating Expenses	3,035,157	3,278,053	3,417,798
<b>Net Operating Income</b>	<b>777,039</b>	<b>908,307</b>	<b>1,226,622</b>
Dividends To Members	292,987	331,262	459,950
Total Non-Operating Income (Expense)	56,606	120,837	58,965
<b>Net Income After Dividends</b>	<b>540,658</b>	<b>697,882</b>	<b>825,637</b>

MEMBER AND LOAN INFORMATION	2017	2018	2019
Number of Members, Year End	4,416	4,397	4,455
Number of Loans Made During the Year	593	602	616
<b>Dollar Amount of Loans</b>	<b>16,674,415</b>	<b>29,286,424</b>	<b>33,112,898</b>
Number of Delinquent Loans (60 Days & Over)	11	7	18
Dollar Amount of Delinquent Loans	229,790	204,706	603,976
Dollar Amount of Delinquent Loans Net Charge Off	82,270	70,967	76,552
Loss Ratio	0.11%	0.10%	0.09%



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### Board of Directors

- Patricia Floyd, Chairman
- Ezequiel Cardenas, Vice-Chairman
- Rachel Kenny, Secretary
- Scott Buxbaum, Treasurer
- Paul Schnaubelt, Member

### Supervisory Committee

- Bradley Wilkinson, Chairman
- Robert Cornelius, Committee Member
- Stephen Halfaker, Committee Member
- Alba Orr, Committee Member

### Management Team

- Steven A. Devan, President/CEO
- Jon Friestedt, VP Chief Lending Officer
- Sossy Hyatt, VP Chief Financial Officer
- Chris Whitney, VP Info Technology
- Tammy Rhaders, AVP Operations

