

## Report from the Chairman of the Board of Directors

In last year's report I spoke about the growth the credit union has incurred over the last few years and how our Board had expanded from five positions to seven positions so that the Board, composed of unpaid volunteers, could more effectively lead and monitor the credit union.

This year, working with our excellent management team and a consultant we have been reviewing how the credit union is providing service to membership. Over the last few years, we have almost tripled our assets, but our credit union staff has not expanded. Our goal over this year is to develop and add positions to the credit union so that we can maintain our excellent level of service while also expanding and developing our product line.

Earlier this year the Board and the management team met in a strategic planning session specifically designed to look at how we can increase profitability so that we can add the positions we need to service members' needs.

This will be an exciting year in the credit union as we continue to strive to be the best organization serving its members in East County.

Respectfully Submitted,



Paul Schnaubelt  
Chairman of the Board



## Report from the Chairman 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, 2023. 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.

The Credit Union used Richards & Associates and Doeren Mayhew, CPA's and Advisors to perform internal, federal, and state audits. All compliance audits were completed as mandated by federal and state regulators.

During 2023, the following audits were conducted:

- BSA/AML Review (Bank Secrecy/Anti Money Laundering)
- ACH Risk Assessment & Audit
- SAFE Act Compliance
- Deposit Audit (Reg CC, D, E & NCUA Part 707: Truth in Savings)
- 2023 Audit of the Financial Statements
- Lending Audit
- IT Risk Assessment & Audit
- Regulation P (Privacy) Review

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.

The Supervisory Committee currently consists of dedicated members who fill four of the five available positions. Our goal is to have five filled positions to cover oversight responsibilities for the (1) annual audit, (2) safeguarding of assets, (3) reviewing internal controls, (4) working with the internal and external auditors, (5) ensuring corrective actions are taken, (6) meeting with federal examiners, (7) researching member complaints and (8) performing bi-annual verification of member accounts.

Sincerely,



Ken Leighton  
Chairman, Supervisory Committee

## Report of the President/CEO

When I look back at 2023, I think about the importance and value of the trust we have with our ECS member-owners. Our positive reputation contributed to the many new and existing members who brought their large deposits to ECS during a time of negative consumer confidence in the banking industry as a whole; the result of two very large U.S. bank failures. Our deposit growth speaks volumes about the confidence and security our members feel with ECS.

More so than any other financial institution that I have worked at during my 50 years in this industry, ECS has a deep and personal connection to our Field-of-Membership, the local education community. We began serving the education community here in our East County Region in 1956, and we have proudly resisted the temptation to convert to a "Community Charter" in order to grow larger in assets. The relationship we have with our member-owners, and district leadership and decision-makers is quite literally our Super Power. This culture of trust is what has allowed us to serve our districts and their employees in ways that most other financial institutions only dream of.

In terms of growth in 2023, we have elected to manage our growth in ways that we have not had to since the 1950's. The tremendous growth we experienced during the first half of 2023, largely due to ECS being viewed as a safe landing spot in our member-owners "flight to safety", has caused us to slow down our asset growth over the second half of 2023, while still cultivating the largest new membership growth in more than 30 years.

The dramatic drop in interest rates in 2020, followed closely by a significant and continual increase in market rates caused an industry-wide liquidity crunch and stymied earnings for a period of time. Your credit union was not immune to these shifts in interest rates, however, 2024 should see us rebound to more normal levels of earnings.

As for emerging products and services in 2024, we are anticipating the launch of our Instant Payment solution that will allow our members to pay and receive funds between their accounts at other institutions, payments between family and friends, as well as payments to and from businesses in as little as 5 seconds, using a phone, tablet and/or PC. This digital payments revolution will change the way many of us manage our money and will serve to level the playing field between the largest banks in the nation, and the smaller community-based institutions. That will provide a wealth of opportunities for East County Schools Federal Credit Union to compete with the mega-banks without losing our close, personal ties to our member-owners.

Here's to a happy and healthy 2024 to all,



Steven A. Devan  
President & Chief Executive Officer

# 2023

## ANNUAL REPORT

President / CEO

Board of Directors Chairman

Supervisory Committee Chairman

Financial Statements

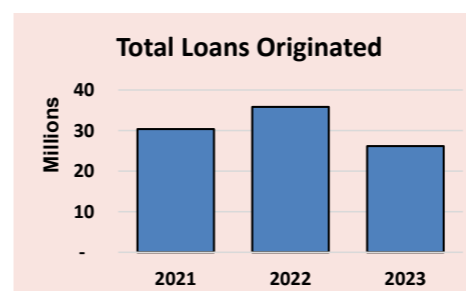
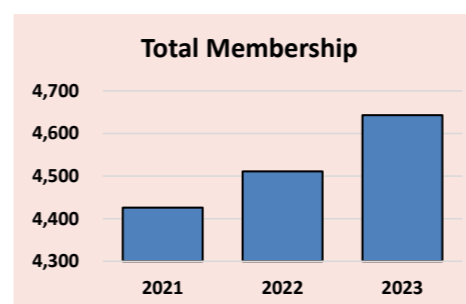
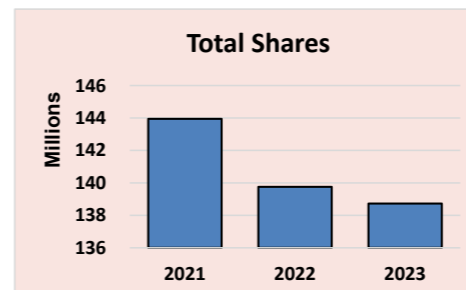
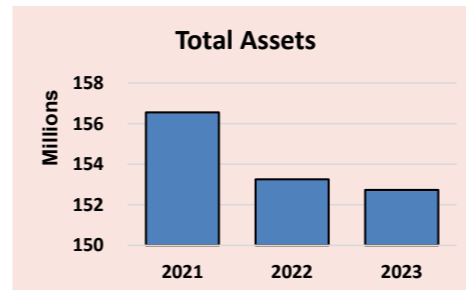
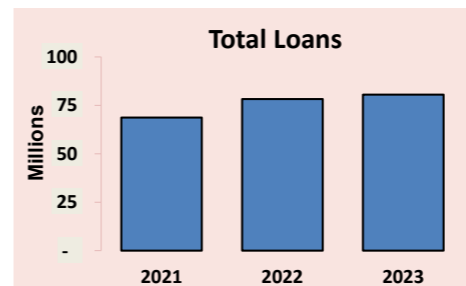


ASSETS	2021	2022	2023
Members' Loans.....	68,670,692	78,255,738	80,534,824
Cash In Bank & Change Fund.....	480,066	494,354	636,933
Catalyst Corp FCU.....	19,339,248	4,693,148	2,081,426
Other Investments.....	64,225,381	65,303,888	65,083,285
All Other Assets.....	4,068,201	4,720,786	4,609,029
Allowance for Loan Losses.....	(231,786)	(215,029)	(213,488)
<b>Total Assets.....</b>	<b>156,551,801</b>	<b>153,252,884</b>	<b>152,732,009</b>

LIABILITIES AND CAPITAL	2021	2022	2023
Accounts Payable.....	382,335	470,769	856,874
Other Liabilities.....	689,477	693,726	633,706
Share Drafts.....	49,886,200	48,325,886	47,932,175
Regular Shares.....	41,249,452	41,459,790	38,191,047
Money Market Shares.....	29,702,536	29,993,785	21,321,001
IRA Shares.....	3,271,386	2,948,917	2,595,195
Share Certificates.....	17,404,756	17,027,700	28,687,023
Non-Member Shares.....	2,432,000	-	-
<b>Total Members' Shares.....</b>	<b>143,946,330</b>	<b>139,756,078</b>	<b>138,726,440</b>
Regular Reserves.....	4,132,774	-	-
Undivided Earnings.....	7,400,270	12,337,198	12,517,779
Unrealized G/L Investments.....	616	(4,887)	(2,789)
<b>Total Liabilities and Capital.....</b>	<b>156,551,801</b>	<b>153,252,884</b>	<b>152,732,009</b>

INCOME	2021	2022	2023
Interest On Loans.....	2,451,659	2,599,027	3,026,678
Income From Investments.....	665,974	736,729	1,048,574
Other Operating Income.....	519,499	503,957	536,707
<b>Total Gross Income.....</b>	<b>3,637,132</b>	<b>3,839,713</b>	<b>4,611,959</b>
<b>Total Operating Expenses.....</b>	<b>3,077,355</b>	<b>2,727,663</b>	<b>3,520,634</b>
Net Operating Income.....	559,777	1,112,050	1,091,325
Dividends To Members.....	391,334	350,345	957,607
Total Non-Operating Income.....	41,556	42,450	46,862
<b>Net Income After Dividends.....</b>	<b>209,999</b>	<b>804,154</b>	<b>180,580</b>

LOAN INFORMATION	2021	2022	2023
Number of Members, Year End.....	4,426	4,511	4,643
Number of Loans Made During the Year.....	528	800	674
<b>Dollar Amount of Loans.....</b>	<b>30,377,894</b>	<b>35,825,810</b>	<b>26,179,359</b>
Number of Delinquent Loans (60 Days & Over).....	5	15	19
Dollar Amount of Delinquent Loans.....	168,215	48,506	54,464
Dollar Amount of Delinquent Loans Net Charge Off...	49,153	5,128	94,668
Loss Ratio.....	0.07%	0.01%	0.12%



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### Board of Directors

Paul Schnaubelt, Chairman  
 Dr. Leonita Smith, Vice-Chairman  
 Natalie Ray, Secretary  
 Scott Buxbaum, Treasurer  
 Rachel [redacted] Director  
 Ken Leighton, Director  
 Dr. Randy Montesanto, Director

### Supervisory Committee

Ken Leighton, Chairman  
 Alba Orr, Committee Member  
 David Yeager, Committee Member  
 Grant Nelson, Committee Member

### Management Team

Steven A. Devan, President/CEO  
 Robert Nolan, VP Chief Financial Officer  
 Chris Whitney, VP Information Technology  
 Tammy Rahders, VP Lending & Operations  
 Karen Fleck, VP Mktg & Business Dev.

