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2019 ANNUAL REPORT

VISION

**TO BE THE PATH TO FINANCIAL WELL-BEING FOR OUR MEMBERS
SO THEY CAN LIVE THEIR DREAMS**



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FRB Federal Credit Union

Board of Directors

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Jared Arico
Darnetta King Bondon
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John Michels
Sue Motyka
Michael Ofori-Kuragu
Kevin Davis, Alternate
Carl Pakerson, Alternate
Chris Saykes, Alternate

Nominating Committee

Peter Both, Chairman
Gary Auer
Fran Horne
Thomas Pollaci



Chairman's Report

This past year of 2019 saw the credit union continue its trajectory with the positive growth of our assets and maintaining the necessary capital to support that growth. We continue to attract members not only in cities where we have a physical presence, but also at Reserve Banks from around the System. It is wonderful to see the growing interest in our credit union.

However, in the current environment of the social and economic disruption caused by Covid-19, last year's accomplishments quickly fade behind the concern for the safety of our credit union staff, and their support of the safety and financial needs of our members in this time when the entire country is in an unprecedented struggle. One program instituted last year, our skip-a-month payment program, has proven to be a helpful option for some members negatively impacted. While we instituted some temporary policy changes to be more accommodative, we continue to look for those opportunities where we can be flexible, yet responsible, as your financial institution.

I would like to thank our CEO, Theresa Trimble, and her leadership team Julia Burke, Puspa Shrestha, Jackie Harrigan, Danielle Porter, and Jenny Norris for the work they have done to migrate staff operations to nearly all staff working remotely. They have adapted well to a very quickly changing environment. A thank you also goes out to the credit union staff, who are the face and voice of the credit union.

Looking ahead into the coming months and further into 2021, our world has become quite volatile. Basic personal situations, such as eating out at a restaurant, the ability to physically gather people for social events, or the timing of returning to work at the office are in constant flux. As this disruption continues to lengthen, we begin to wonder about outcomes and how this will fundamentally change us as a society. Though there remains much uncertainty in our world, there is one thing I can say with certainty, your credit union is on solid footing and we are here for you today, tomorrow, and in the future, "Not for profit, but for service."

In closing, I want to thank each and every member for choosing our credit union. The Credit Union Board and staff realize that you have a choice when it comes to your financial services. We value the trust you place in us and continue to strive to be your financial institution of choice. At the risk of being repetitive, your credit union exists, "Not for profit, but for service."

Please be safe and healthy, physically as well as mentally, in these trying times.

Cooperatively yours,

Kenneth Franklin

Chairman of the Board



Treasurer's Report

The FRB Federal Credit Union continues to operate in a safe and sound manner, with conservative management, strong capital, ample liquidity, and high-quality loans and investments. As of December 31, 2019 the Credit Union reported total assets of \$94.7 million, an increase of 6.4% over the previous year end. Total assets consisted of 58% loans, 31% investments, and 11% other assets. Loans totaled \$55.4 million, a 44 percent increase from 2018. The increase in total loans is attributed to a change in the asset mix through acquisition of high-quality real estate loans under strict underwriting criteria and limits. Residential real estate loans represented 74% of total loans, vehicle loans 14%, and other loans 12%. Delinquent loans were at a very low 0.67% of total loans. The credit union recorded net income of \$879,007 and a return on assets of 0.93%. Higher 2019 earnings were due in part to the improved asset mix and more efficient use of non-earning assets. As in past years, the Credit Union continued to invest excess funds in a high-quality, liquid, and diversified investment portfolio. We remain committed to revisit our loan and member share rates each month to provide members the best rates possible while maintaining a strong, safe, and stable financial condition.

Cooperatively,

Michael D. Accornero

Treasurer, Board of Directors



CONDENSED OPINION LETTER



www.deleonandstang.com

May 7, 2020

To the Supervisory Committee of FRB Federal Credit Union

We have audited, in accordance with auditing standards generally accepted in the United States of America the statements of financial condition of FRB Federal Credit Union as of December 31, 2019 and 2018, and the related statements of comprehensive income, members' equity, and cash flows for the years then ended; and in our report dated May 7, 2020, we expressed an unmodified opinion on those financial statements.

In our opinion, the information set forth in the accompanying condensed financial statements is fairly stated, in all material respects, in relation to the financial statements from which it has been derived.

DeLeon & Stang

DeLeon & Stang, CPAs and Advisors

Gaithersburg, Maryland

May 7, 2020

FRB FEDERAL CREDIT UNION
STATEMENTS OF FINANCIAL CONDITION
December 31, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 7,495,055	\$ 10,237,893
Deposits in other financial institutions	15,429,047	19,349,042
Investments:		
Held-to-maturity, at amortized cost	13,737,076	19,107,169
Other investments, at cost	216,974	208,084
Loans to members, net	55,283,218	38,400,402
Accrued interest receivable:		
Loans	133,139	91,061
Investments	62,745	82,038
Prepaid expenses and other assets	1,479,357	612,445
Facilities and equipment, net	270,328	298,413
NCUSIF deposit	630,647	624,168
	\$ 94,737,586	\$ 89,010,715
LIABILITIES AND MEMBERS' EQUITY		
Liabilities:		
Members' share and savings accounts	\$ 84,754,758	\$ 80,254,750
Dividends payable	182,525	158,470
Accrued expenses and other liabilities	727,259	403,458
Total liabilities	85,664,542	80,816,678
Members' Equity:		
Regular reserve	8,039,141	7,139,141
Undivided earnings	252,390	273,383
Acquired equity	781,513	781,513
Total Members' Equity	9,073,044	8,194,037
	\$ 94,737,586	\$ 89,010,715

FRB FEDERAL CREDIT UNION
STATEMENTS OF INCOME
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
INTEREST INCOME		
Member loans	\$ 2,587,839	\$ 2,050,620
Securities, interest bearing deposits and cash equivalents	833,267	747,093
	<hr/>	<hr/>
Total interest income	3,421,106	2,797,713
INTEREST EXPENSE		
Members' shares and savings accounts	395,261	275,125
Interest on borrowed funds	5,595	452
	<hr/>	<hr/>
Total interest expense	400,856	275,577
	<hr/>	<hr/>
Net interest income	3,020,250	2,522,136
PROVISION FOR LOAN LOSSES	<hr/>	<hr/>
	50,000	240,000
	<hr/>	<hr/>
Net interest income, after provision for loan losses	2,970,250	2,282,136
NON-INTEREST INCOME		
Fees, charges and other income	337,301	329,792
Other non-interest income	101,352	116,391
	<hr/>	<hr/>
Total non-interest income	438,653	446,183
NON-INTEREST EXPENSE		
Employee compensation and benefits	1,275,020	1,121,648
General and administrative	749,074	667,971
Other operating costs	488,140	355,447
Gain (loss) on sale of repossessed assets	17,662	(39,915)
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Total non-interest expense	2,529,896	2,105,151
	<hr/>	<hr/>
Net income	\$ 879,007	\$ 623,168
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FRB FEDERAL CREDIT UNION
STATEMENTS OF CHANGES IN MEMBERS' EQUITY
For the Years Ended December 31, 2019 and 2018

	<u>Regular Reserve</u>	<u>Undivided Earnings</u>	<u>Acquired Equity</u>	<u>Total</u>
Balances at December 31, 2017	\$ 6,589,141	\$ 200,215	\$ 781,513	\$ 7,570,869
Net income	-	623,168	-	623,168
Transfers, net	<u>550,000</u>	<u>(550,000)</u>	<u>-</u>	<u>-</u>
Balances at December 31, 2018	7,139,141	273,383	781,513	8,194,037
Net income	-	879,007	-	879,007
Transfers, net	<u>900,000</u>	<u>(900,000)</u>	<u>-</u>	<u>-</u>
Balances at December 31, 2019	<u>\$ 8,039,141</u>	<u>\$ 252,390</u>	<u>\$ 781,513</u>	<u>\$ 9,073,044</u>

FRB FEDERAL CREDIT UNION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018

	2019	2018
<u>Cash Flows From Operating Activities:</u>		
Net income	\$ 879,007	\$ 623,168
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	63,320	53,550
Securities discount/premium amortization (accretion), net	25,985	43,923
Provision for loan losses	50,000	240,000
(Gain) loss on sale of assets	(17,662)	2,225
Increase in interest receivable	(22,785)	(15,954)
Increase in prepaid expenses and other assets	(866,912)	(349,777)
Increase in dividends payable	24,055	47,073
(Increase) decrease in accrued expenses and other liabilities	323,801	(139,909)
Total adjustments	(420,198)	(118,869)
Net cash provided by operating activities	458,809	504,299
<u>Cash Flows From Investing Activities:</u>		
Net decrease in deposits in other financial institutions	3,919,995	(5,512,000)
Purchases of securities held-to-maturity	(4,001,317)	(5,616,721)
Proceeds from sale and redemption of securities held-to-maturity	9,350,350	9,305,000
Net purchases of other investments	(8,890)	(4,026)
Net increase in loans to members	(16,932,816)	(6,226,933)
Purchases of facilities and equipment	(35,235)	(149,611)
Proceeds from sale of assets	12,737	39,915
Increase in NCUSIF deposit	(6,479)	(19,968)
Net cash used in investing activities	(7,701,655)	(8,184,344)
<u>Cash Flows From Financing Activities:</u>		
Net increase in members' deposits	4,500,008	6,310,041
Net cash provided by financing activities	4,500,008	6,310,041
Net decrease in cash and cash equivalents	(2,742,838)	(1,370,004)
Cash and cash equivalents, beginning of year	10,237,893	11,607,897
Cash and cash equivalents, end of year	\$ 7,495,055	\$ 10,237,893
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid during the year for dividends and interest	\$ 376,801	\$ 228,504
Transfers of loans to repossessed assets and OREO	\$ 75,918	\$ 37,125

Supervisory Committee Report

The Supervisory Committee of the FRB Federal Credit Union is charged by federal regulation with two primary responsibilities. The first is to provide oversight for the annual audit of the Credit Union and to verify the accuracy of member accounts with credit union records. The second is to conduct a verification of member accounts, and to review transactions by credit union employees and Board members. On a continual basis, routine supervisory procedures are also performed that include conducting cash counts and other tests of internal controls.

The National Credit Union Administration (NCUA) regulations require the Supervisory Committee of a credit union to conduct an audit of the financial records at least once every calendar year, covering the period since the last audit. This past year, the firm of DeLeon and Stang performed an opinion audit in accordance with generally accepted audit standards (GAAS). The audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also included assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. An annual verification of member accounts was also successfully conducted. Last, the Credit Union's compliance with ACH regulations were evaluated with no material exceptions found.

I am pleased to report that the FRB Federal Credit Union received an unqualified ("clean") opinion from its auditors on the 2019 financial statements.

The Supervisory Committee is also always available to assist you with resolving issues related to member accounts or credit union operations, in the event the normal credit union resolution procedures have been unsuccessful. Requests to the Supervisory Committee should be in writing and signed, and may be addressed to any Supervisory Committee member or to our email address, SupervisoryCommittee@frb.gov. My thanks to our Supervisory Committee volunteers for their continued commitment and dedication to the overall success of our credit union.

Cooperatively,

Rashika S. Peiris

Chair, Supervisory Committee



CEO's Report

Let me begin by saying “thank you” to our staff, our members, our board of directors, the Board of Governors, and the St. Louis Reserve Bank. Credit unions are all about community, and our community really came together in this time of crisis.

2019, which seems like ages ago, was a banner year for the credit union. Our assets almost reached \$95 million, and our income topped \$870 thousand. Loans were growing, delinquencies were low. We saw strong growth in real estate loans, we expanded our student loan options through College Ave., and we protected members through our insurance products through CUNA Mutual. We added a 24-7 call center for our debit cards and added some loan participations to our portfolio. No one knew what was coming.

When the news began to raise concerns about the novel corona virus, we took it very seriously, for our staff and our members. We focused on 3 key objectives

1. Keep our staff safe
2. Meet our members' needs safely and timely
3. Help our members adversely impacted by COVID-19

Effective March 16, we shifted to an almost 100% remote posture. All of our staff in DC and in St. Louis have remained very busy, communicating regularly with each other and with our members. We maintained limited on-site, in person services at our NY Avenue Branch, requiring six feet distancing (with tape on the carpet to guide our members), adding a plexiglass shield, and requiring hand sanitizer and face coverings. We also processed our mail at that location. Our staff have secure remote online access, and have spent their days working on loan applications, answering phones, and replying to voicemails, emails, and NetBranch messages. Thank you for your patience—the staff has been amazing.

Our hearts also went out to our members affected by the virus. In March we implemented no-fee skip-a-months through May to help with uncertainties and with short term cash flow needs. For members who needed more, we worked one on one to find a solution that fits each situation. The board approved a COVID-19 emergency loan to help members with short term, COVID-19-related issues who needed funds.

Be safe. Be well. Thank you.

Cooperatively yours,

Theresa Trimble

Chief Executive Officer

Your Staff

Theresa Trimble

Chief Executive
Officer

Julia Burke

Chief Operations
Officer

Puspa R. Shrestha

Chief Financial
Officer

Jaelyn Harrigan

Chief Lending
Officer

Martha Demessie

Member Service

Alisha Foster

Member Service

Marquette

Hinton

Member Service

Amelia Toni Small

Member Service

Ling Chen

Finance/
Accounting

Jennifer Norris

Finance/Accounting/
Loans

Danielle Porter

Finance/Accounting/
HR

Sonia Angunawela

Member Solutions

Jill Acra

Loans

Kaitlyn Hertzog

Member Service/
Marketing

Ming Wong

Member Service/
Marketing

Beverly Barnett

Loans

Sydney Williams

Data Analyst

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