

Annual Report

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Message to Members

No one could have predicted the events that unfolded in 2020. Just three months into the year, many people found their lives turned upside down. But as bad as it was, EFCU Financial found a way to continue to stay open, serve our members and to stay employed at 100%.

Your team at EFCU Financial not only worked hard to keep each other safe, we worked even harder to keep our members safe and our operations uninterrupted. We followed all state and local mandates while keeping our branches open, with expanded services in our drive-throughs, until it was safe to re-open the lobbies. More members utilized our suite of online services as we saw online banking enrollments and mobile banking transactions increase. Through it all we grew in ways we did not expect in a year impacted by a world-wide pandemic.

Membership growth continued in 2020, extending to 50,553 members by the end of the year, an increase of 9.75% over 2019, and to more than \$619M in assets, an increase of 14.6% year over year. Loan growth was especially strong in 2020, but more importantly that meant over 6,000 people were approved for an automobile loan and 252 families were able to purchase a home. In addition, another 239 members were able to save money each month by refinancing their current home with EFCU Financial. These are reasons to be especially proud of your Credit Union.

Working through a pandemic meant changing a lot of things and really stepping up to the plate to keep our valued employees safe. While most of our operations staff were quickly set-up to work from home, our branch staff remained the face of your Credit Union, albeit behind a mask and social distanced from each other. Services not normally performed in a drive-through were rapidly adapted to the unique situation and electronic signatures became the norm for loan and other documents.

The EFCU Financial Senior Management Team implemented additional safety measures from the earliest stages of the local mandates, which included regular sanitation of all locations, providing disposable and washable face masks, latex gloves, hand sanitizer, and spray disinfectants. In addition, they enacted weekly hazard pay for frontline branch staff during the height of the local shut-down, and approved non-conventional borrowing of paid time off, plus other pay related benefits. Morale was also a focus and Friday lunches were provided, plus several "fun days" and trivia contests were held. All in all, your Credit Union staff that you knew before the pandemic is the same staff you see now.

The saying "hindsight is 20-20" became truer than was intended on January 1, 2021. As this new year unfolds, EFCU Financial is still a strong and stable credit union ready to move into the future. As always, the entire staff at EFCU Financial would like to thank our member-owners for their support and their loyalty. We hope to see you in one of our branch locations soon.

Kimberly Bardeil
Chair, Board of Directors



Tyler Grodi
Chief Executive Officer



Treasurer's Report

After a record year in 2019, EFCU Financial along with our membership faced an extremely challenging 2020. As the COVID-19 pandemic unfolded, your Credit Union faced collapsing interest rates, the seizing up of the economy, on top of the challenge of keeping our team members healthy while continuing to serve our membership. While we had to run our branches as drive-through and appointment only for a short period of time, we did our best to continue to serve you with more digital solutions, faster access to electronic deposits, and unwavering dedication to serving member needs. All this while we continued to ensure that your Credit Union was financially healthy.

We were able to add 8,897 new members in 2020 and total assets grew 15%. We look for more growth in the future, as we have proven our systems and processes offer financial products and services that make a positive difference in our members' lives.

During 2020, we focused on working with our members to identify financial needs and opportunities to better our members' financial condition with our competitive loan products and rates. Our total loans to members increased over \$80.5 million, a 18% increase over last year. Our loan-to-share ratio was 96%, meaning that for every dollar in deposits members brought to the Credit Union we loaned out 96 cents. Lending to our members has always been our best investment and will continue to be as we look forward to the coming years.

Our Member Solutions Department staff continued to work closely with our members to help them through normal financial challenges in addition to offering loan extensions and modifications for members who were financially impacted by the pandemic. We were able to help over 4,200 members manage their loan obligations through this difficult time.

Operating expense management continues to be a key focus as we evaluate our key vendor relationships and work to maximize the Credit Union's benefit from these relationships. For 2020, our total operating expenses (not including provision for loan loss expense) were 10.4% higher than 2019. The bulk of our operating expense increase was due to our new branch on Perkins Road, offering new products to our members, and pandemic related expenses.

Although we are not a profit-driven organization, generating a positive bottom line is crucial to the sustainability of any business, including ours, as income is the only reliable way credit unions are able to increase net worth as they continue to grow. EFCU Financial ended the year with net income of \$5,511,838 and a strong net worth ratio of 9.61%. To put this in perspective, to be considered "well capitalized" by the National Credit Union Administration (NCUA), credit unions must have at least a 7% net worth ratio as net worth affects everything we do, including:

- adding new branches
- introducing new products
- expanding our loan portfolio
- paying higher dividend rates

We are pleased to report that we exceeded the NCUA's "well capitalized" definition by 261 basis points! What this means to you, our members, is your Credit Union is financially strong and secure today and for the future.



Neal Chollette
Secretary/Treasurer



Rick Myers
Chief Financial Officer

Statements of Financial Condition

| ASSETS | 2020 | 2019 |
|--|----------------------|----------------------|
| Cash and cash equivalents | \$ 76,289,995 | \$79,100,244 |
| Interest-bearing time deposits in other financial institutions | 100,000 | 100,000 |
| Investment securities available-for-sale | 1,236,006 | 1,823,074 |
| Loans receivable, net of allowance for loan losses | 517,315,255 | 437,090,747 |
| Accrued interest receivable | 1,664,543 | 1,323,387 |
| National Credit Union Share Insurance Fund deposit | 4,828,045 | 3,993,620 |
| Federal Home Loan Bank stock - at cost | 2,255,700 | 2,228,400 |
| Investment in credit union service organizations (CUSOs) | 386,695 | 278,438 |
| Premises and equipment - net | 10,114,765 | 10,387,130 |
| Assets held for sale | 585,458 | 649,264 |
| Prepaid pension plan benefit cost | 2,388,004 | 2,175,717 |
| Other assets | 2,407,031 | 1,567,993 |
| Total assets | <u>\$619,571,497</u> | <u>\$540,718,014</u> |
| LIABILITIES | | |
| Members' shares and savings accounts | \$539,174,982 | \$464,049,890 |
| Notes payable | 19,000,000 | 27,000,000 |
| Subordinated Debt (new) | 4,889,062 | |
| Accrued expenses and other liabilities | <u>3,412,491</u> | <u>2,276,997</u> |
| Total liabilities | <u>566,476,535</u> | <u>493,326,887</u> |
| COMMITMENTS AND CONTINGENCIES | | |
| | - | - |
| MEMBERS' EQUITY, SUBSTANTIALLY RESTRICTED | | |
| Regular reserve | 7,444,267 | 7,444,267 |
| Undivided earnings | 47,089,862 | 41,578,016 |
| Accumulated other comprehensive loss | <u>(1,439,167)</u> | <u>(1,631,156)</u> |
| Total members' equity | <u>53,094,962</u> | <u>47,391,127</u> |
| Total liabilities and members' equity | <u>\$619,571,497</u> | <u>\$540,718,014</u> |

Statements of Operations and Comprehensive Income

| | 2020 | 2019 |
|--|--------------------|--------------------|
| INTEREST INCOME | | |
| Loans receivable | \$20,022,629 | \$17,773,169 |
| Investment securities, interest-bearing deposits in other institutions and other investments | <u>519,848</u> | <u>1,434,659</u> |
| Total interest income | <u>20,542,477</u> | <u>19,207,828</u> |
| INTEREST EXPENSE | | |
| Members' share and savings accounts | 6,822,442 | 5,638,464 |
| Notes payable | <u>742,741</u> | <u>569,929</u> |
| Total interest expense | <u>7,565,183</u> | <u>6,208,393</u> |
| NET INTEREST INCOME | 12,977,294 | 12,999,435 |
| PROVISION FOR LOAN LOSSES | <u>1,075,201</u> | <u>1,370,686</u> |
| NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES | <u>11,902,093</u> | <u>11,628,749</u> |
| NON-INTEREST INCOME | | |
| NSF fees, late charges, and other fees | 2,062,570 | 2,380,914 |
| Interchange income | 3,459,818 | 3,068,011 |
| Gain (loss) on disposition of assets - net | (10,376) | (24,637) |
| Other non-interest income | <u>4,014,082</u> | <u>2,496,280</u> |
| Total non-interest income | <u>9,526,094</u> | <u>7,920,568</u> |
| NON-INTEREST EXPENSE | | |
| Compensation and benefits | 8,284,503 | 7,341,508 |
| Office occupancy and operations | 2,764,145 | 2,542,313 |
| Professional and outside services | 685,325 | 630,338 |
| Servicing expenses | 3,642,707 | 3,105,170 |
| Other non-interest expense | <u>539,661</u> | <u>800,612</u> |
| Total non-interest expenses | <u>15,916,341</u> | <u>14,419,941</u> |
| NET INCOME | <u>5,511,846</u> | <u>5,129,376</u> |
| OTHER COMPREHENSIVE INCOME (LOSS) | | |
| Amortization of net pension loss | 115,368 | 118,761 |
| Net pension gain (loss) | 30,910 | (74,378) |
| Unrealized net holding gain (loss), arising during the period | <u>45,711</u> | <u>64,610</u> |
| Total Other Comprehensive Income (loss) | <u>191,989</u> | <u>108,993</u> |
| COMPREHENSIVE INCOME | <u>\$5,703,835</u> | <u>\$5,238,369</u> |

Supervisory Committee Report

It was our pleasure to serve EFCCU Financial Federal Credit Union as your Supervisory Committee for the 2020 fiscal year and to report to you the Committee's activities.

The Supervisory Committee is comprised of three member/volunteers appointed by the Board of Directors who work for you, the member/owners of EFCCU Financial Federal Credit Union, best interest. The Committee is responsible for assuring that the Board of Directors and Management are acting in a safe, lawful and prudent manner.

To fulfill those responsibilities, the Supervisory Committee meets at least quarterly, attends the monthly Board meetings, and employs a full-time Internal Auditor who reports directly to the Committee. Externally, the Committee engages an independent CPA firm, Postlewaite and Netterville, to perform an annual verification of member accounts and an Annual Audit of our Financial Statements. We also have the benefit of a National Credit Union Administration Examination which was completed last year.

Although 2020 brought uncertainty to our staff and our members, the Committee remains confident in the staff and volunteers and commend them on their financial acuity. Their dedication places EFCCU Financial as one of the strongest credit unions not just in the state but in the country as well.

We are pleased to announce that, for the year ending December 31, 2020, it is the conclusion of Postlewaite and Netterville that your Credit Union received an unmodified opinion stating that the financial statements are presented fairly in all material respects and that the financial position of EFCCU Financial and the results of its operations and its cash flows are in conformity with Generally Accepted Accounting Principles.

Respectfully submitted,



R. M. Gremillion, Supervisory Committee Chair
David Dartez
Jim Phillips

Board, Staff & Info

Board Of Directors

Kimberly Bardell, Board Chair

Jim Phillips, First Vice Chair

Celeste Francois, Second Vice Chair

Neal Chollette, Secretary/Treasurer

Joyce Dunn

Neal Elkins

Jack Haynes

Darrell Langlois

Doug Vickers

Supervisory Committee

Reggie Gremillion, Chair

David Dartez

Jim Phillips

Credit Review Committee

Joyce Dunn, Chair

Jack Haynes

Senior Management

Tyler Grodi, Chief Executive Officer

Rick Myers, Chief Financial Officer

Billy McDonald, Chief Information Officer

Karon Musemeche, Chief Administrative Officer

Wynter Roy, Chief Operations Officer

