

2018 Annual Report



A Year of Ground-breaking Achievement

2018 marked a year of new milestones in financial stability and growth at LA Financial, with the credit union reaching \$399 million in assets. We accomplished this while increasing our members' equity, making the credit union stronger with the ability to continue growing and providing great products and services to the communities we serve. We far exceeded our lending goals for the year, and increased our membership with checking accounts from 51% to 56%.

This year LA Financial helped our members achieve their financial goals with a 40% increase over 2017 new loan production. We finished the year funding 4,373 loans – totaling \$130.5 million at competitive rates and fees.

We continued to elevate our membership offering and increase value to our communities by providing incentives to existing and prospective members.

Our auto lending member referral program, which gives \$50 back to both the member who refers someone and the person getting a loan, continued to grow in 2018. Of the auto loans generated from member referrals, 74% were new members to LA Financial, generating \$6.2 million in auto loans in 2018.

Members also took advantage of our personal loan pre-approval offers both in the Spring and Holiday seasons, special HELOC rates, and \$850 waived in origination fees on mortgages of \$250,000 or more, all of which contributed to the overall increase in loan production.

The credit union is honored to serve our communities and help our members achieve financial success.

We're "People Helping People"

Our philosophy of giving back to our communities is part of the Credit Union Difference. Through service, financial education, charitable giving and volunteerism, we grow stronger as a team while supporting the people around us. Throughout 2018 we participated in a wide variety of community and volunteer activities.

LA Financial and its employees gave even more in 2018 to our communities, both in time and monetary donations. This resulted in over 1,000 hours of volunteerism and \$17,500 to charities around Los Angeles County and Lake Havasu City. We donated 718 lbs. of food to families in need through the LA Regional Food Bank, doubled the amount of books we donated to Children's Miracle Network and raised over \$6,500 for Pasadena Ronald McDonald House Charity's annual walk event.

LA Financial continues to support the Pasadena Ronald McDonald House, Kids in Need Foundation, LA Regional Food Bank, Children's Miracle Network, Union Station Homeless Services, Toys For Tots and the US Marine Corps, multiple Breast Cancer Awareness groups, National Latino Peace Officers Association, and Red Cross, among others.

REPORT OF THE CHAIRMAN & PRESIDENT

We are pleased to report that we experienced great success in 2018. The credit union performed at a level which exceeded its financial forecast despite a very competitive and challenging financial market. Assets grew from \$385 million to \$399 million. Shares grew from \$352 million to \$361 million and our loans grew from \$258 million to \$316 million.

While total asset growth was modest at 3.75%, the credit union asset mix provided significant growth in loans and members' equity.

Our Loan-to-Share Ratio, the percentage of shares loaned out to members, increased from 73% to 88%. Our Net Worth Ratio, which measures a Credit Union's stability, increased from 8.26% to 9.30% and Return on Assets, a key measure of financial performance, increased from .35% to 1.38%. The organization finished the year positive with net income of \$5.4 million.

Our member satisfaction rating was 82%, in line with the industry's standard. Of the members who took our annual member survey, 83% indicated they would recommend us to someone they know.

In 2018, we released new and enhanced services:

- We have "gone green" in consumer lending, offering members the option of electronically signing consumer loan documents. We are now digitally storing all loan

files, resulting in improved efficiencies and savings to our members and the Credit Union.

- We launched a new online and mobile banking platform, making improvements in technology and services we can provide our members online.
- Our school financial educational program through our partner Banzai, continues to help students learn valuable financial skills at no cost to educators – we've reached 2,880 students in the communities we serve.

The Credit Union continued to provide low-rate vehicle loans, one of our most popular loans. We financed 1,822 vehicle loans in 2018 for a total of \$50.93 million – at an average auto loan rate of 3.20%.

Overall, we funded 4,373 loans in 2018 – totaling \$130.5 million.

Our employees worked even harder this year to give back to our communities and increased both their time spent volunteering and monetary donations. As a core value for us as a credit union, we are resolute to continue to focus on service in 2019.

Our credit union is something we can all be proud of and we thank you for helping make 2018 a success.

Mark Saladino, Chairman
Carol Galizia, President/CEO

REPORT OF THE SUPERVISORY COMMITTEE

The Supervisory Committee is appointed by the Board of Directors to oversee the Credit Union's financial condition and operations. We ensure sound financial management and make certain that the Credit Union operates in the best interest of its members. To accomplish this goal, we work with an independent auditing firm, putting checks and balances in place to assure policies and regulations are followed. The Supervisory Committee retained the services of

Certified Public Accounting Firm Turner, Warren, Hwang and Conrad, AC to conduct an opinion audit of the Credit Union as of September 30, 2018.

The report concluded that the financial position of the Credit Union was appropriately presented in conformity with accounting principles generally accepted in the United States of America.

Janice Jones, Chair

REPORT OF THE TREASURER

2018 was a year that saw significant growth for LA Financial. We finished the year with net income of \$5.4 million, which is a new milestone for the Credit Union.

Our performance indicators have substantially improved and have exceeded our goals for 2018:

- Loan-to-Share Ratio improved from 73% to 88%
- Net Worth Ratio increased from 8.26% to 9.30%.
- Our new loan production increased by 40% over 2017.

Members were able to take advantage of some of the lowest rates offered with auto loans as low as 2.24% APR and their first payment deferred up to 90 days.

In addition, members have many mortgage loan options at competitive rates with low fees.

LA Financial continued to offer a complete array of financial products including investment property options, low down payments, and home equity loans.

We also added special certificate rates to help our members save even more.

2018 has been a year of successes and we look forward to continuing to provide excellent service and support to our members.

George F. Caro, Treasurer

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

UNAUDITED. DOLLARS IN THOUSANDS.

	12/31/18	12/31/17
Assets		
Cash	\$ 2,548	\$ 2,817
Due from Banks	23,638	47,157
Cash and cash equivalents	<u>26,186</u>	<u>49,974</u>
Securities Available for Sale	37,823	49,138
Federal Home Loan Stock and Others	<u>2,586</u>	<u>2,586</u>
Total Investments	40,409	51,724
Loans, Net of Fees and Costs	316,376	259,382
Less: Allowance for credit losses	<u>(663)</u>	<u>(1,045)</u>
Net Loans	315,713	258,337
Property and Equipment, Net	479	8,867
Accrued Interest Receivable	991	799
National Credit Union Share Insurance Fund	3,528	3,418
COLI	4,956	4,829
Other assets	6,852	6,786
Total Assets	<u>\$ 399,114</u>	<u>\$ 384,734</u>
Liabilities and Members' Equity		
Liabilities:		
Members' Share Accounts	\$ 360,964	\$ 352,052
Other liabilities	<u>1,966</u>	<u>1,593</u>
Total liabilities	<u>362,930</u>	<u>353,645</u>
Members' Equity		
Regular Reserves	9,409	9,409
Retained Earnings	27,706	22,346
Accumulated Other Comprehensive Loss	<u>(1,016)</u>	<u>(739)</u>
Total LA Financial CU Members' Equity	<u>36,099</u>	<u>31,016</u>
Noncontrolling Interest	85	73
Total Liabilities and Members' Equity	<u>\$ 399,114</u>	<u>\$ 384,734</u>

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION UNAUDITED. DOLLARS IN THOUSANDS.

	<u>12/31/18</u>	<u>12/31/17</u>
Interest Income:		
Interest on Loans	\$ 11,416	\$ 9,443
Investment Income	1,516	1,509
Total Interest Income	<u>12,932</u>	<u>10,952</u>
Interest Expense:		
Dividends on Shares	430	133
Borrowings	18	353
Total Interest Expense	<u>448</u>	<u>486</u>
Net Interest Income	12,484	10,466
Provision for Loan Losses	201	579
Net Interest Margin	<u>12,283</u>	<u>9,887</u>
Non-Interest Income:		
Fee Income	3,942	3,739
Gain on Sale of Loans	240	439
Gain on Sale of Investments	-	13
Gain on Sale of Fixed Assets	1,920	-
Other Non-Operating Income	551	491
Total Non-Interest Income	<u>6,653</u>	<u>4,682</u>
Operating Expense:		
Employee Compensation & Benefits	6,865	6,621
Travel & Conference	182	163
Office Occupancy	1,223	1,188
Office Operations	3,385	3,156
Educational & Promotional	226	355
Loan Servicing	794	727
Professional & Outside	487	626
Other Operating Expense	403	412
Total Operating Expenses	<u>13,565</u>	<u>13,248</u>
Net Income	5,371	1,321
Less: Net Income Attributable to Noncontrolling Interest	11	2
Net Income Attributable to LA Financial CU	<u>\$ 5,360</u>	<u>\$ 1,319</u>

BOARD OF DIRECTORS

Mark J. Saladino, Chairman
Gail LeGros, Vice Chair
George F. Caro, Treasurer
Thomas V. Pilla, Secretary
Douglas L. Carden, Director
Mike Magro, Director

SUPERVISORY COMMITTEE

Janice Jones, Chair
Gail LeGros, Member
Nai-Len W. Ishikawa, Member
Darian Chin, Member

MANAGEMENT

Carol Galizia, President/Chief Executive Officer
Milton Flores, SVP/Chief Financial Officer
Greg Seltzer, SVP/Chief Lending Officer
Armando Estrada, VP/Technology Services
Lito Gonzales, VP/Controller
Linda Manship, VP/Retail Services
Amanda Singh, VP/Marketing

OFFICES

Administrative Offices
1520 W. Colorado Blvd.
Pasadena, CA 91105

Mailing Address

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Pasadena, CA 91102-6015

Pasadena Branch

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Pasadena, CA 91103

Los Angeles Branch

716 W. First St.
Los Angeles, CA 90012

Norwalk Branch

12125-A Imperial Hwy.
Norwalk, CA 90650

Havasu Community Credit Union (A Division of LA Financial Credit Union)

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