

An aerial photograph of a coastal area. The top half of the image shows the ocean with waves breaking onto a sandy beach. Below the beach is a multi-lane highway with several cars. The bottom half of the image shows a residential neighborhood with houses, green lawns, and some swimming pools. The sky is clear and blue.

# 2019 Annual Report

# A Year of Excellence

2019 was a year of financial strength and stability at LA Financial. We continued to help our members achieve their financial goals by offering competitive rates, increased value, and incentives both for loans and deposits. We reached **\$418 million** in assets and **\$335 million** in total loans outstanding.

This year LA Financial assisted our members with their financial objectives by offering a wide range of residential and consumer loans. We finished the year funding 4,011 loans – totaling \$133.9 million.

We continued to expand our membership offerings and increase value to our communities by providing promotional 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, generated \$5.6 million in auto loans. Of these auto loan referrals, 71% were new members to LA Financial.

Members also took advantage of our personal loan pre-approval offers both in the Spring and Holiday seasons, special HELOC rates, and checking and auto loan promotions.

# Giving Back to Our Communities

As part of the Credit Union Difference, we believe in 'People Helping People'. Through service, financial education, charitable giving and volunteerism, we grow stronger as a team while supporting the people around us.

Throughout 2019, we participated in a wide variety of community and volunteer activities. LA Financial and its employees gave 787 hours of their time in volunteerism and over \$22,000 in sponsorships and donations to charities around Los Angeles County and Lake Havasu City. We donated over 800 lbs. of food to families in need through LA Regional Food Bank and Havasu Food Bank, served over 1,000 lunches to people experiencing homelessness in Pasadena through Union Station Homeless Services, and donated 50 backpacks, each filled with school supplies, to Havasupai Elementary. This year LA Financial was proud to place 1st in the XDI

Credit Union Cornhole Challenge, resulting in a \$5,000 donation to our charity of choice, Ronald McDonald House of Pasadena.

The Credit Union provided financial education to low and moderate income families in partnership with Heritage Housing Partners, as well as sponsoring local schools for financial education and wellness through our partner Banzai, a free online financial literacy program. Fifty-five teachers have used these free resources to teach financial literacy to 3,480 students. 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

2019 was another year of excellence for the credit union. Assets grew from \$399 million to \$418 million. Shares grew from \$361 million to \$369 million and our loans grew from \$316 million to \$335 million.

LA Financial's 2019 operating results are impressive, showing improvement in key performance measures. Our Loan-to-Share Ratio, the percentage of shares loaned out to members, increased from 88% to 91%. Our Net Worth Ratio, which measures a Credit Union's stability, increased from 9.30% to 9.58%. Return on Assets (ROA), a key measure of financial performance, reached .75%. The organization finished the year positive with net income of \$3 million. These measures place LA Financial among the best-run credit unions in its peer group nationwide.

Our member satisfaction is now measured by Net Promoter Score (NPS), which measures member loyalty and identifies areas of opportunity for growth. Our NPS score is 54 for 2019 and highly ranked when compared to average NPS scores in the financial services industry which range from -3 to 65.

In 2019, we continued with our sustainability initiatives. We are now storing all Real Estate and Consumer loan files in digital formats, resulting in increased security,

quicker retrieval capabilities, reduced storage costs, as well as other improved efficiencies and savings to our members and the Credit Union.

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 3,480 students in the communities we serve. The Credit Union continued to provide low-rate vehicle loans, one of our most popular loans. We financed 1,567 vehicle loans in 2019 for a total of \$42.5 million – at an average auto loan rate of 3.35%. Overall, we funded 4,011 loans in 2019 – totaling \$133.9 million.

Our employees also worked diligently to give back to our communities both through time spent volunteering and monetary donations.

**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, 2019. 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

In 2019, we continued our trend of stability and efficiency, finishing the year with net income of \$3 million.

Our performance indicators continued to be strong in 2019:

- Loan-to-Share Ratio improved from 88% to 91%
- Net Worth Ratio increased from 9.30% to 9.58%.

Members were able to take advantage of some of the lowest rates offered with auto loans as low as 2.74% 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 are honored to serve our communities and members by helping them achieve their financial goals as we head into a new decade.

**Doug Carden, Treasurer**

## CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

UNAUDITED. DOLLARS IN THOUSANDS.

	12/31/19	12/31/18
<b>Assets</b>		
Cash on hand	\$ 2,053	\$ 2,548
Due from Banks	29,373	23,638
Cash and Cash Equivalents	<u>31,426</u>	<u>26,186</u>
Securities Available for Sale	31,285	37,823
Federal Home Loan Stock and Others	<u>2,586</u>	<u>2,586</u>
Total Investments	33,872	40,409
Loans, Net of Fees and Costs	335,080	316,376
Less: Allowance for Credit Losses	<u>(899)</u>	<u>(663)</u>
Net Loans	334,181	315,713
Property and Equipment, Net	2,421	479
Accrued Interest Receivable	969	991
National Credit Union Share Insurance Fund	3,595	3,528
COLI	5,084	4,956
Other assets	7,254	6,852
<b>Total Assets</b>	<b><u>\$ 418,802</u></b>	<b><u>\$ 399,114</u></b>
<b>Liabilities and Members' Equity</b>		
Liabilities:		
Members' Share Accounts	\$ 369,236	\$ 360,964
FHLB Borrowings	8,000	-
Other Liabilities	<u>1,492</u>	<u>1,966</u>
Total Liabilities	<u>378,728</u>	<u>362,930</u>
Members' Equity		
Regular Reserves	9,409	9,409
Retained Earnings	30,732	27,706
Accumulated Other Comprehensive Loss	<u>(67)</u>	<u>(1,016)</u>
Total LA Financial CU Members' Equity	<u>40,074</u>	<u>36,099</u>
Non-controlling Interest	-	85
<b>Total Liabilities and Members' Equity</b>	<b><u>\$ 418,802</u></b>	<b><u>\$ 399,114</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL CONDITION UNAUDITED. DOLLARS IN THOUSANDS.

	<u>12/31/19</u>	<u>12/31/18</u>
<b>Interest Income:</b>		
Interest on Loans	\$ 13,537	\$ 11,416
Investment Income	1,350	1,516
<b>Total Interest Income</b>	<b><u>14,887</u></b>	<b><u>12,932</u></b>
<b>Interest Expense:</b>		
Dividends on Shares	837	430
Borrowings	106	18
<b>Total Interest Expense</b>	<b><u>943</u></b>	<b><u>448</u></b>
<b>Net Interest Income</b>	<b>13,944</b>	<b>12,484</b>
Provision for Loan Losses	795	201
<b>Net Interest Margin</b>	<b><u>13,149</u></b>	<b><u>12,283</u></b>
<b>Non-Interest Income:</b>		
Fee Income	3,878	3,942
Gain on Sale of Loans	303	240
Gain on Sale of Investments	8	-
Gain on Sale of Fixed Assets	-	1,920
Other Non-Operating Income	346	551
<b>Total Non-Interest Income</b>	<b><u>4,535</u></b>	<b><u>6,653</u></b>
<b>Operating Expense:</b>		
Employee Compensation & Benefits	7,449	6,865
Travel & Conference	180	182
Office Occupancy	1,808	1,223
Office Operations	3,112	3,385
Educational & Promotional	367	226
Loan Servicing	746	794
Professional & Outside	649	487
Other Operating Expense	347	403
<b>Total Operating Expenses</b>	<b><u>14,658</u></b>	<b><u>13,565</u></b>
Net Income	3,026	5,371
Less: Net Income Attributable to Noncontrolling Interest	-	11
<b>Net Income Attributable to LA Financial CU</b>	<b><u>\$ 3,026</u></b>	<b><u>\$ 5,360</u></b>

## BOARD OF DIRECTORS

**Mark J. Saladino**, Chairman  
**Gail LeGros**, Vice Chair  
**Thomas V. Pilla**, Secretary  
**Doug Carden**, Treasurer  
**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**  
177 E. Colorado Blvd., Ste. 900  
Pasadena, CA 91105

### Mailing Address

P.O. Box 6015  
Pasadena, CA 91102-6015

### Pasadena Branch

224 N. Fair Oaks Ave.  
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)

55 S. Lake Havasu Ave., Suite J,  
Lake Havasu City, AZ 86403

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