



2019 Annual Report

President/CEO and Board Chairman Report

Greetings to all Foothill Credit Union Members. Foothill Credit Union was established in 1958 by a group of teachers and administrators from the Arcadia Unified School District. For over 60 years Foothill has provided exceptional value and personal service. We have a dedicated volunteer Board of Directors and Supervisory Committee, who faithfully lend their expertise to represent and advocate for all members. I'm proud to have served as the CEO of Foothill since 1995, and see the growth of this wonderful organization, now serving over 28,000 members. During 2019, many improvements were made to enhance service convenience and expand the choices offered to you. Significant service improvements included:

- Converting to a feature rich Mobile/Online Banking platform in July 2019, offering budgeting tools, savings goal tools, card controls, card rewards status and sub account opening features, all functions sought by members.
- Expanding and remodeling our Covina branch office, now with a modern, open atmosphere, electronic messaging screens, and a second ATM for reliability and convenience.
- Upgrading to a cloud based phone system allowing voice, video and messaging while ensuring that should there be a physical disruption at our facilities, we can serve members without interruption.



CEO Brian Hall and Board Chairman Scott McCulley

Financial Strength and Lending to Members

Our 2019 key financial metrics remain strong. Member growth ended the year at 4.7 percent, compared to peer growth of 1.5 percent. Loan growth was off the charts at 15.4 percent, compared to peer loan growth of 4.8 percent. Capital or Net Worth, a key measure of financial strength and ability to withstand adverse economic events, ended the year at 12.5 percent, well above the 7 percent requirement established by our regulator. For comparison the peer average for Net Worth is 11.7 percent. The core measure of financial strength is Return on Assets (ROA), the bottom line after all obligations are satisfied, and what remains to sustain and build Net Worth. Foothill's ROA ended 2019 at 1.06 percent, well above the peer average of 0.73 percent.



Foothill's Board of Directors (L to R): Scott Petterson, Vice Chair, Tamara Murphy, Director, Rafael Soriano, Secretary, David Jaynes, Director, R. Scott McCulley, Chair, Linda Dempsey, Treasurer, Marc Chaldu, Director

Our mortgage lending products include a wide variety of loans to select from, good rates, and no-fee loan options. In 2019, we introduced a "Lock & Shop" feature. This allows members to lock the rate at the time of application, and if rates drop during the time their mortgage is being processed, they get the lower rate. This feature provides tremendous value for members, and has contributed to mortgage fundings, totaling \$59.2 million for 2019.

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Community Contributions

We continued our tradition of sponsoring a physical makeover of a teacher's break room at one of the schools we serve. Each school submits a video request outlining their need and the submissions are then reviewed for merit and creativity. This year we partnered with Oak Mesa Elementary School in La Verne with stunning results. We also continued our annual Ambassador breakfast, hosting 43 representatives from school districts and hospitals that we serve in the San Gabriel Valley. The breakfast event was held at the Glendora Country Club, ending with raffle prizes and gifts to the attendees.

Foothill continued to sponsor a variety of educational seminars, free to our members. In 2019, we focused on Cybersecurity, an important topic for all members. We also sponsored dozens of workshops during the year including: Road to Home Ownership, Social Security & Retirement, and Living Trust & Estate Planning. Our team continues to host High School Seniors in a program called "Bite of Reality." These interactive events allow students to use a phone application to make important life decisions regarding spending and saving, allowing them to experience the challenges of money management without any real world adverse consequences.

2020 Events and Challenges

A robust bill payment system was introduced in January 2020, the second part of the Mobile/Home Banking feature rich platform introduced in July 2019. Other plans include replacing our Loan & Account origination systems to a fully integrated systems that allow the processes to be completed digitally, from application to funding.

In early 2020, we took action to enable 40 percent of our team to work remotely. This improves physical distancing and reduces the potential for contracting COVID 19. All of our branches remain open to members with precautions to prevent crowding and to protect you and our team during face to face business transactions. Our precautions include disinfecting all high traffic areas regularly and the installation of Plexiglas barriers at each work area to minimize the potential for person to person transmission of the COVID 19 virus. While we have responded exceptionally well to the physical challenges of social distancing, I



Oak Mesa Break Room before adding the "Foothill Touch"



Oak Mesa Break Room after Foothill's make-over



remind all our members that most services are available via our mobile and desktop applications or through our Contact Center. Apply for a loan, request a check, make a payment, establish a new account, transfer funds between accounts, establish recurring payments or savings deposits, all can be done from the convenience of your home or office.

We Thank You

In January, Foothill reached an important milestone, \$500 million in assets, an indication of the value we are providing to members and the confidence you have in Foothill Credit Union. Our Board members volunteer their time to provide oversight and direction for the credit union. The Board of Directors, Supervisory Committee and Foothill team are grateful for the continuing loyalty and support of our members. Respectfully submitted,

Brian Hall, CEO and
R. Scott McCulley, Board Chairman

Income Statement

	2019	2018
Interest on loans	\$12,556,584	\$10,396,785
Interest on investments	\$3,722,712	\$4,157,706
Total Interest Income	\$16,279,296	\$14,554,491
Dividends on members' shares	\$3,066,843	\$2,071,004
Interest on borrowed funds	\$3,081	\$322,139
Total Interest Expenses	\$3,069,924	\$2,393,143
Net Interest Income	\$13,209,372	\$12,161,348
Provision for Loan Losses	\$858,867	\$682,075
Net Interest Income after Provision for Loan Losses	\$12,350,505	\$11,479,273
Service charges	\$5,054,420	\$5,018,675
Other operating income	\$ -	\$36,963
Rental income	\$209,565	\$185,647
Gain on servicing assets	\$512,772	\$513,839
Total Non-Interest Income	\$5,776,757	\$5,755,124
Salaries and Benefits	\$6,806,912	\$6,044,392
Office operations	\$3,270,275	\$2,953,625
Other expenses	\$3,001,774	\$2,534,545
Other operating expenses	\$30,323	\$24,021
Total Non-Interest Expense	\$13,109,284	\$11,556,583
Net Income	\$5,017,978	\$5,677,814

Balance Sheet

	2019	2018
Assets		
Cash and cash equivalent	\$32,310,968	\$20,275,555
Investments	\$137,287,022	\$145,023,029
Loans receivables, net of allowance for loan losses	\$303,235,976	\$262,814,445
Accrued interest receivable	\$1,151,294	\$1,040,978
Property and Equipment, Net of Depreciation	\$10,138,144	\$7,936,228
NCUA share insurance deposit	\$3,856,625	\$3,706,841
Mortgage servicing rights	\$1,713,250	\$1,658,445
Prepaid expenses and other assets	\$4,404,308	\$2,705,179
Total Assets	\$494,097,587	\$445,160,700
Liabilities		
Members' shares	\$425,642,685	\$386,500,594
Accounts payable and other liabilities	\$6,911,137	\$6,065,799
Total Liabilities	\$432,553,822	\$392,566,393
Members' Equity		
Appropriated (regular reserve)	\$2,507,811	\$2,507,811
Unappropriated (undivided earnings)	\$58,990,388	\$53,972,410
Equity acquired through merger	\$176,555	\$176,555
Accumulated other comprehensive income	\$(130,989)	\$(4,062,469)
Total Member' Equity	\$61,543,765	\$52,594,307
Total Liabilities and Members' Equity	\$494,097,587	\$445,160,700



Strong Balance Sheet

\$494M



Capital Ratio

12.5%



Strong Loan Growth

15.4%



Return on Assets

1.06%

Supervisory Committee Report

Foothill Credit Union's Supervisory Committee is an independent committee that has five committee members appointed by the Board of Directors that serve on behalf of the membership. The Supervisory Committee oversees accounting practices and ensures that the Board and Management are directing the Credit Union's operations in compliance with applicable regulations and safeguarding member deposits. The Committee's responsibilities include:

- Selecting a CPA firm to perform the annual external audit
- Ensuring that internal audit work is performed in a thorough and timely manner
- Assessing the adequacy of the credit union's internal controls and making sure they are followed
- Guarding against potential fraud and other losses that could adversely impact the membership
- Reviewing internal controls and making recommendations for improvement to the Board



Supervisory Committee (L to R): Tony Ramirez (member), Brandon Craig (member), Kevin Hryciw (Chair), Ryan Chiechi (member). Not pictured: Rafael Soriano (Board Liaison)

The Supervisory Committee contracted with Richards and Associates (Richards), a CPA firm specializing in credit union audits, to conduct the external audit of the credit union's financial statements as of and for the year ending December 31, 2019. Richards performed well in their auditing role and provided insightful information to the Supervisory Committee. The Supervisory Committee has approved the audited financial statements and is in concurrence with the auditors that the statements do

present fairly the financial position of the credit union as of December 31, 2019.

On behalf of the Supervisory Committee, I want to thank the Board of Directors and team members of Foothill Credit Union for their dedication to protecting member assets and operating with integrity and sound business practices.

Kevin Hryciw,
Supervisory Committee Chair



Foothill's Executive Leadership Team (L to R): Jackie So, Chief Financial Officer, Judy Schaeffler, Vice President of Lending, Brian Hall, Chief Executive Officer, Chris Andersson, Chief Experience Officer, Nathalie Bigon, Executive Assistant, Linnie Gooch, Vice President of Technology

Community Involvement

Schools

- Welcomed Charter Oak Unified School District as a new SEG
- Classroom Improvement Grants
- Honored Teachers and Classified Employees of the Year
- Sponsored school athletics
- Supported Educational Foundations
- Provided online Financial Education resources for students
- Hosted Bite of Reality at several High Schools



Andrew Gomez delivers a Classroom Improvement Grant to Jose Davila at Madrid Middle School in El Monte.

Hospitals

- Volunteered at Methodist Hospital employee picnic
- Sponsored Hospital Week
- Offered Medical Career Advancement Scholarship
- Honored Employees of the Year
- Participated in annual Benefits Fairs
- Provided Educational Seminars
- Hosted a blood drive for City of Hope
- Sponsored Daisy Awards at City of Hope



Brian Hall, Russell Domingo, Jerry Mora, and Andrew Gomez represent Foothill as a golfing foursome at the Arcadia High School Baseball Golf Tournament.

Community

- Hosted Chamber networking events
- Sponsored Community golf tournaments
- Publisher Sponsor for Monrovia Reads program
- Supported the Santa Anita YMCA
- Sponsored Arcadia Realtors Golf Tournament
- Supported Covina Fun Run
- Volunteered at Arcadia Rotary's Field of Honor
- Supported Arcadia, Azusa, and Covina Field of Honor/Valor



Melissa Alcantar and Yari Gutierrez present Clifton Middle School's band with a check to help purchase instruments.



Melissa Alcantar, Brian Hall, Stacy Arena, Betty Hall, Andrew Gomez and Annie Delgado help serve lunch at the annual Methodist Hospital Employee picnic.



Andrew Gomez, Yari Gutierrez, and Stacy Arena volunteer at Foothill Unity Center's Back to School event, handing out books at the Monrovia Reads booth.



Melissa Alcantar helps present the Foothill sponsored Daisy Award to a well deserving nurse at City of Hope.