

## Supervisory Committee Report

Foothill Credit Union's Supervisory Committee is an independent committee that has 5 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 your 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

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, 2018. Richards continues to

perform well in their auditing role by providing 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, 2018.

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.

David Jaynes  
Supervisory Committee Chair



Supervisory Committee (L to R): Kevin Hryciw, Member, Andrea Garcia-Ortiz, Member, Ryan Chiechi, Member, Rafael Soriano, Member, David Jaynes, Chair



# 2018 Annual Report

## Serving Our Community

### Schools

- Classroom Improvement Grants
- Honored Teacher and Classified Employee of the Year
- Sponsored school athletics
- Supported educational foundations
- Provided online financial education resources for students
- Hosted Bite of Reality at several High Schools

### Hospitals

- Volunteered at Methodist Hospital employee picnic
- Welcomed San Antonio Regional Hospital as a new Core SEG
- Sponsored Hospital Week
- Offered Medical Career Advancement Scholarships
- Honored Employee of the Year
- Participated in annual Benefits Fair
- Provided educational seminars

### 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
- Sponsored Covina Fun Run
- Helped at Arcadia Field of Honor
- Supported Covina Field of Valor



*Exceptional Banking. Exceptional Service*



Brian Hall, President/CEO and Scott McCulley, Board Chair

## President/CEO and Board Chair Report

### Improving Members Financial Well-being

One of our most important objectives is to offer members' quality products, services and financial education that helps them to achieve their financial goals and improve their financial well-being. During 2018, the Foothill team conducted

Bite-of-Reality programs at six different high schools, reaching over 2,000 students. This simulation allows students to make housing, transportation, entertainment, and child care decisions, all within their "budget" without the adverse consequences of actually making poor financial decisions. In addition to these youth targeted programs, we continue to schedule free member seminars with topics including:

- Buying a home
- Establishing a living trust
- Retirement planning
- Understanding your credit score
- Understanding Social Security
- Money 101

Our on-line Financial Well-being tools now include 24 interactive modules covering a wide range of topics. During the year, thousands of modules were viewed by members, the most popular being the auto loan module.

### Financial Strength of your Credit Union

Deposits increased by \$20.7 million during 2018, a growth rate of 5.7 percent, compared with peer deposit growth of 2.6 percent. Membership grew by 3.5 percent compared to the average peer membership growth of 2.5 percent. Foothill added 2,474 new members during 2018, now serving over 26,000 members. Strong member and deposit growth, as noted above, gives Foothill the opportunity to serve our members borrowing needs. In 2018, loan growth totaled 14.1 percent, well above peer average growth of 8.6 percent. At year-end, loans to members totaled \$260 million with a delinquency ratio of just 0.15 percent, well below peer, with assets totaling \$445 million. For 2018, Net Income totaled \$5.7 million, resulting in a Return on Assets (ROA) of 1.2 percent. For comparison the peer ROA was 0.72 percent. Net Worth to Assets, a very important indicator of financial strength, ended the year at 12.7 percent compared to the peer ratio of 11.5 percent.

### Community Involvement

We continue our tradition of choosing a school each year to team up with for a complete Breakroom Makeover. This year we partnered with Victor Hodge Elementary school in Azusa, completely remodeling the teachers/administrator's breakroom with a spectacular result. We were also delighted to participate in the City of Hope's Learning & Professional Development Week by offering financial savvy seminars to their employees. Foothill is very active in our local communities with team members holding leadership positions in the Arcadia Rotary, Arcadia Chamber of Commerce, Monrovia

Kiwanis, Glendora Rotary and the Glendora Education Foundation in addition to general support of the 13 school districts and major hospitals we serve.

### Facts You Want to Know

Cybersecurity is a critical element in the success of a credit union and Foothill is no exception. During the year we had internal and external audits and reviews of our technology systems and security of member information to ensure that we continue to improve and update systems effectively. We continue to invest in fraud prevention tools and software systems designed to reduce the risk of malicious attacks on our systems and member information.

New products introduced in 2018 included:

- Debit Card Rewards, consolidating card rewards for Foothill credit and debit cards
- Added an additional Money Market Tier and higher rate for deposit balances over \$250,000
- Rainy Day Savings account promoting an "emergency" savings account
- Fresh Start Loan incorporating a loan pay down to savings component
- Implemented a 1st time Automatic NSF Fee Reversal promoting savings and lower fees

### Looking Forward...

In 2019, we will be introducing a new "world class" Mobile and Home Banking application with extensive features, allowing members to conduct business from anywhere. We are expanding the Covina branch location, adding a long overdue second ATM and giving members the privacy and space needed to conduct their financial business. Following completion of the Covina expansion, we will update the Arcadia branch facility for better privacy, updated teller and coin processing equipment and an overall modern layout. Our team is also reviewing key member touch points for an improved member experience whether via digital channels, in branch or by phone.

### We Thank You

Board members volunteer their time directing Foothill to achieve our Mission to improve members' financial well-being and remain financially strong and relevant to members. The Board of Directors and the entire Foothill Team are grateful for the continuing loyalty and support from all of our members. Respectfully,

Brian Hall,  
President/CEO

Scott McCulley,  
Board Chair



Board of Directors (left to right) - Marc Chaldu, Scott Petterson, Tamara Murphy, Rafael Soriano, Fred Weiss, Linda Dempsey, and Scott McCulley.

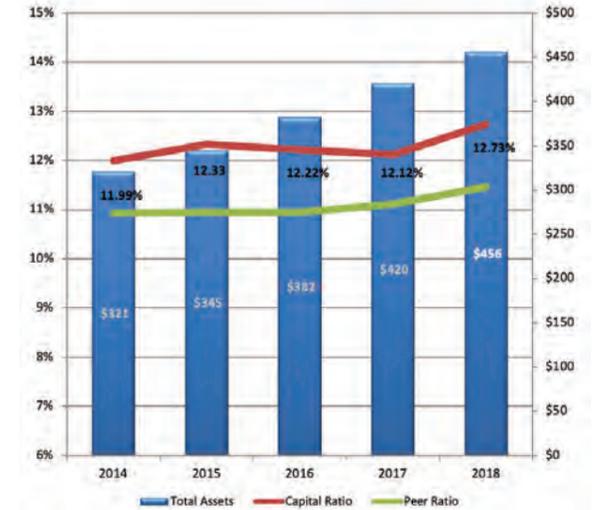
## Statement of Income

	2018	2017
Interest on Loans	10,396,785	8,744,736
Interest on Investments	4,157,706	4,628,530
<b>Total Interest Income</b>	<b>14,554,491</b>	<b>13,373,266</b>
Dividends on Members' Shares	2,071,004	1,505,754
Interest on Borrowed Funds	322,139	1,238,557
<b>Total Interest Expenses</b>	<b>2,393,143</b>	<b>2,744,311</b>
<b>Net Interest Income</b>	<b>12,161,348</b>	<b>10,628,955</b>
Provision for Loan Losses	682,075	708,872
<b>Net Interest Income after Provision for Loan Losses</b>	<b>11,479,273</b>	<b>9,920,083</b>
Service Charges and Other Income	5,018,675	4,243,236
Other Operating Income	36,963	36,173
Rental Income	185,647	-
Gain on Servicing Assets	513,839	468,498
Gain on Non-operating Activities	-	59,213
<b>Total Non-Interest Income</b>	<b>5,755,124</b>	<b>4,807,120</b>
Salaries and Benefits	6,044,392	5,642,429
Office Operations	2,953,625	2,524,145
Other Expenses	2,534,545	2,280,826
Other Operating Expenses	24,021	24,788
Loss on Disposal of Property and Equipment	-	80,705
<b>Total Non-Interest Expense</b>	<b>11,556,583</b>	<b>10,552,893</b>
<b>Net Income</b>	<b>5,677,814</b>	<b>4,174,310</b>

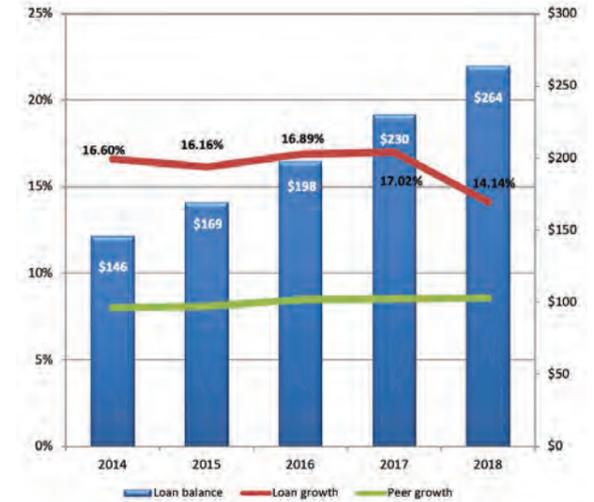
## Balance Sheet

	2018	2017
<b>Assets</b>		
Cash and Cash Equivalents	20,275,555	23,406,460
Investments	145,023,029	155,178,769
Loans Receivables, Net of Allowance for Loan Losses	262,814,445	230,191,537
Accrued Interest Receivable	1,040,978	901,830
Property and Equipment, Net of Depreciation	7,936,228	2,853,008
NCUA Share Insurance Deposit	3,706,841	3,504,393
Mortgage Servicing Rights	1,658,445	1,609,541
Prepaid Expenses and Other Assets	2,705,179	2,718,927
<b>Total Assets</b>	<b>445,160,700</b>	<b>420,364,465</b>
<b>Liabilities</b>		
Members' Share and Savings Accounts	386,500,594	364,947,304
Accounts Payable and Other Liabilities	6,065,799	6,518,231
<b>Total Liabilities</b>	<b>392,566,393</b>	<b>371,465,535</b>
<b>Commitments and Contingent Liabilities</b>		
<b>Members' Equity, Substantially Restricted</b>		
Appropriated (regular reserve)	2,507,811	2,507,811
Unappropriated (undivided earnings)	53,972,410	48,294,596
Equity Acquired through Merger	176,555	176,555
Accumulated Other Comprehensive Income	(4,062,469)	(2,080,032)
<b>Total Member' Equity</b>	<b>52,594,307</b>	<b>48,898,930</b>
<b>Total Liabilities and Members' Equity</b>	<b>445,160,700</b>	<b>420,364,465</b>

## Net Worth



## Loan Balances (in millions)



## Deposit Balances (in millions)

