



2020 ANNUAL REPORT



BOARD OF DIRECTORS

Kenneth Franklin, Chairman
David Alexander, Vice Chairman
Michael Accornero, Treasurer & ALCO Chair
Christine Jung, Secretary
Jared Arico
Darnetta King Bondon
Valerie Coleman
Evangeline Edwards
Suzanne Shenkman
Winona Varnon

NOMINATING COMMITTEE

Peter Both, Chairman
Gary Auer
Fran Horne
Thomas Pollaci

SUPERVISORY COMMITTEE

Rashika Peiris, Chair
John Michels
Sue Motyka
Michael Ofori-Kuragu
Carl Parkerson
Chris Saykes, Alternate

Vision

To be the path to financial well-being for our members
so they can live their dreams

Chairman's Report

It would be an understatement to say 2020 was a uniquely challenging year. The continuing impact of the pandemic and events of the past year will significantly influence our lives for years to come. My heartfelt condolences to those who have been adversely impacted by the pandemic, or who have had loved ones negatively affected, as I have, by an illness, loss of income, or most tragically, a death.

One of the highlights of our credit union has always been a friendly face greeting you when physically dropping by to deposit a check, applying for a loan, asking a question, or as I have done at times, just stopping by to say hello. And, during your visit, you find you are more than an account number. The cheery smile welcoming you, also knows you by name.

All of that ended abruptly in March of 2020. Like many businesses, our credit union engaged in the challenge of migrating to a virtual environment. Though virtual cannot begin to replicate the same feeling of physically walking into a credit union branch, we endeavor to provide the excellent level of personal service to which our members are accustomed. While I look forward to the physical return to the building, I also look forward to continued enhancements to the virtual banking experience at the credit union.

This past year demonstrated the resiliency of our staff and the leadership of our Chief Executive Officer, Theresa Trimble. Under her direction and with the support of her adept management team, they successfully guided the credit union through a year of complex and fundamentally changing circumstances. Overnight, our business model—the primary way in which many of our members were used to interacting with the credit union—had shifted. Recognition also goes to every frontline and back office employee. Each one of you has displayed great flexibility and a team spirit to work together in this transition to a virtual environment. As I glance back at the past year, I am astounded at the substantial changes taking place from January to December.

Despite the extensive economic disruption experienced last year, as our Treasurer, Mike Accornero, states in his report, "The credit union continues to operate in a safe and sound manner." Through our exceptional membership, we had an excellent year, growing 18%, and maintaining a strong capital position. We stand well situated for this next year as we look for society to take steps to open up in the transition to what will be our new normal.

Chairman's Report

The credit union strives to positively contribute to your new normal. On the virtual side of things, we have recently upgraded the look and feel of our website when visiting us online. We also look forward to upcoming improvements to our bill-pay features and functionality, as we continue to explore opportunities to enhance the virtual experience. However, we especially look forward to a return of once again seeing more members in person at the office.

We truly appreciate the trust and confidence our members place in us to be their financial institution of choice. I stand very proud to be a member of this great credit union.

Cooperatively,

Kenneth Franklin
Chairman of the Board

Treasurer's Report

The FRB Federal Credit Union continues to operate in a safe and sound manner, with conservative management, strong capital, ample liquidity, and high-quality loans and investments. As of December 31, 2020 the Credit Union reported total assets of \$111.5 million, an 18% increase from the previous year end. Total assets consisted of 70% loans, 24% investments, and 6% other assets, including cash. Loans totaled \$77.9 million, a 41 percent increase from 2019. The increase in total loans is attributed to a change in the asset mix through acquisition of high-quality real estate loans under strict underwriting criteria and limits. Real estate loans represented 83% of total loans, vehicle loans 9%, and other loans 8%. Although the pandemic presented challenges to our members on many fronts, delinquent loans at the end of the year represented a very low 0.24 % of total assets and we maintained a delinquency ratio under 0.50% throughout the year. The credit union recorded net income of \$984 thousand for the full year and a return on assets of 0.95%. Higher 2020 earnings were due in part to the improved asset mix and maintaining operating expenses 3% under the budgeted amount. As in past years, the Credit Union continued to invest excess funds in a high-quality, liquid, and diversified investment portfolio. We remain committed to revisit our loan and member share rates each month to provide members the best rates possible while maintaining a strong, safe, and stable financial condition.

Cooperatively,

Michael D. Accornero
Treasurer

Condensed Opinion Letter



May 14, 2021

To the Supervisory Committee of FRB Federal Credit Union

We have audited, in accordance with auditing standards generally accepted in the United States of America the statements of financial condition of FRB Federal Credit Union as of December 31, 2020 and 2019, and the related statements of income, changes in members' equity, and cash flows for the years then ended; and in our report dated May 14, 2021, we expressed an unmodified opinion on those financial statements.

In our opinion, the information set forth in the accompanying condensed financial statements is fairly stated, in all material respects, in relation to the financial statements from which it has been derived.

DeLeon & Stang

DeLeon & Stang, CPAs and Advisors
Gaithersburg, Maryland
May 14, 2021



STATEMENTS OF FINANCIAL CONDITION

December 31, 2020 and 2019

ASSETS	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 14,851,285	\$ 7,495,055
Deposits in other financial institutions	10,453,047	15,429,047
Investments:		
Held-to-maturity, at amortized cost	2,499,006	13,737,0762
Other investments, at cost	233,312	216,974
Loans to members, net	78,015,633	55,283,218
Accrued interest receivable:		
Loans	182,736	133,139
Investments	26,306	62,745
Prepaid expenses and other assets	2,138,556	1,479,357
Deferred compensation plan	2,078,385	-
Facilities and equipment, net	284,184	270,328
NCUSIF deposit	<u>720,546</u>	<u>630,647</u>
 TOTAL ASSETS	 <u>\$ 111,482,996</u>	 <u>\$ 94,737,586</u>
 LIABILITIES AND MEMBERS' EQUITY		
Liabilities:		
Members' share and savings accounts	\$ 100,286,185	\$ 84,754,758
Dividends payable	185,033	182,525
Accrued expenses and other liabilities	<u>954,301</u>	<u>727,259</u>
Total liabilities	101,425,519	85,664,542
Members' Equity:		
Regular reserve	9,039,141	8,039,141
Undivided earnings	236,823	252,390
Acquired equity	<u>781,513</u>	<u>781,513</u>
Total Members' Equity	10,057,477	9,073,044
 TOTAL LIABILITIES AND MEMBERS' EQUITY	 <u>\$ 111,482,996</u>	 <u>\$ 94,737,586</u>



STATEMENTS OF INCOME

For the Years Ended December 31, 2020 and 2019

INTEREST INCOME	<u>2020</u>	<u>2019</u>
Member loans	\$ 3,201,129	\$ 2,587,839
Securities, interest bearing deposits and cash equivalents	<u>544,226</u>	<u>833,267</u>
Total interest income	3,745,355	3,421,106
INTEREST EXPENSE		
Members' shares and savings accounts	427,860	395,261
Interest on borrowed funds	<u>26,636</u>	<u>5,595</u>
Total interest expense	<u>454,496</u>	<u>400,856</u>
Net interest income	3,290,859	3,020,250
PROVISION FOR LOAN LOSSES		
Net interest income, after provision for loan losses	<u>92,000</u>	<u>50,000</u>
	<u>3,198,859</u>	<u>2,970,250</u>
NON-INTEREST INCOME		
Fees, charges and other income	619,727	337,301
Other non-interest income	128,343	101,352
Gain (loss) on sale of repossessed assets	<u>8,983</u>	<u>(17,662)</u>
Total non-interest income	757,053	420,991
NON-INTEREST EXPENSE		
Employee compensation and benefits	1,471,186	1,275,020
General and administrative	925,112	749,074
Other operating costs	<u>575,181</u>	<u>488,140</u>
Total non-interest expense	<u>2,971,479</u>	<u>2,512,234</u>
Net income	<u>\$ 984,433</u>	<u>\$ 879,007</u>



STATEMENTS OF CHANGES IN MEMBERS' EQUITY

For the Years Ended December 31, 2020 and 2019

	Regular Reserve	Undivided Earnings	Acquired Equity	Total
Balances at December 31, 2018	\$ 7,139,141	\$ 273,383	\$ 781,513	\$ 8,194,037
Net income	-	879,007	-	879,007
Transfers, net	900,000	(900,000)	-	-
Balances at December 31, 2019	8,039,141	252,390	781,513	9,073,044
Net income	-	984,433	-	984,433
Transfers, net	1,000,000	(1,000,000)	-	-
Balances at December 31, 2020	<u>\$ 9,039,141</u>	<u>\$ 236,823</u>	<u>\$ 781,513</u>	<u>\$ 10,057,477</u>



STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>Cash Flows From Operating Activities:</u>		
Net income	\$ 984,433	\$ 879,007
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	76,281	63,320
Securities discount/premium amortization (accretion), net	5,014	25,985
Provision for loan losses	92,000	50,000
(Gain) loss on sale of assets	(8,983)	17,662
Increase in interest receivable	(13,158)	(22,785)
Increase in prepaid expenses and other assets	(697,232)	(866,912)
Increase in deferred compensation plan	(2,078,385)	-
Increase in dividends payable	2,508	24,055
Increase in accrued expenses and other liabilities	227,042	323,801
Total adjustments	<u>(2,394,913)</u>	<u>(384,874)</u>
Net cash (used in) provided by operating activities	(1,410,480)	494,133
<u>Cash Flows From Investing Activities:</u>		
Net decrease in deposits in other financial institutions	4,976,000	3,919,995
Purchases of securities held-to-maturity	-	(4,001,317)
Proceeds from sale and redemption of securities held-to-maturity	11,233,056	9,350,350
Net purchases of other investments	(16,338)	(8,890)
Net increase in loans to members	(22,824,415)	(16,932,816)
Purchases of facilities and equipment	(90,137)	(70,559)
Proceeds from sale of assets	47,016	12,737
Increase in NCUSIF deposit	(89,899)	(6,479)
Net cash used in investing activities	<u>(6,764,717)</u>	<u>(7,736,979)</u>
<u>Cash Flows From Financing Activities:</u>		
Net increase in members' deposits	15,531,427	4,500,008
Net cash provided by financing activities	<u>15,531,427</u>	<u>4,500,008</u>
Net increase (decrease) decrease in cash and cash equivalents	7,356,230	(2,742,838)
Cash and cash equivalents, beginning of year	7,495,055	10,237,893
Cash and cash equivalents, end of year	<u>\$ 14,851,285</u>	<u>\$ 7,495,055</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid during the year for dividends and interest	<u>\$ 451,988</u>	<u>\$ 376,801</u>
Transfers of loans to repossessed assets and OREO	<u>\$ -</u>	<u>\$ 75,918</u>

Supervisory Committee Report

The Supervisory Committee of the FRB Federal Credit Union is charged by federal regulation with two primary responsibilities. The first is to provide oversight for the annual audit of the Credit Union and to verify the accuracy of member accounts with credit union records. The second is to conduct a verification of member accounts, and to review transactions by credit union employees and Board members. On a continual basis, routine supervisory procedures are also performed that include conducting cash counts and other tests of internal controls.

The National Credit Union Administration (NCUA) regulations require the Supervisory Committee of a credit union to conduct an audit of the financial records at least once every calendar year, covering the period since the last audit. This past year, the firm of DeLeon and Stang performed an opinion audit in accordance with generally accepted audit standards (GAAS). The audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also included assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. An annual verification of member accounts was also successfully conducted. Lastly, the Credit Union's compliance with the Bank Secrecy Act (BSA) and ACH regulations were evaluated with no material exceptions found.

I am pleased to report that the FRB Federal Credit Union received an unqualified ("clean") opinion from its auditors on the 2020 financial statements. The NCUA also performed an annual safety and soundness examination of our credit union and it was judged financially sound. The NCUA found that operations were being conducted in compliance with applicable laws and regulations.

The Supervisory Committee is also always available to assist you with resolving issues related to member accounts or credit union operations, in the event the normal credit union resolution procedures have been unsuccessful. Requests to the Supervisory Committee should be in writing and signed, and may be addressed to any Supervisory Committee member or to our email address, SupervisoryCommittee@frb.gov. My thanks to our Supervisory Committee volunteers for their continued commitment and dedication to the overall success of our credit union.

Cooperatively,

Rashika S. Peiris
Chair, Supervisory Committee

CEO's Report

It goes without saying that 2020 was a year like no other. On March 13, 2020, all of us at the credit union went home. Most of us had only worked on-site at the credit union. Most of us didn't have laptops, let alone secure connections to work from home. We didn't know how long it would last; no one did.

So what did we do? My team did not miss a beat. Julia and Jenny immediately bought laptops for all staff who didn't have them, and we arranged for VPN access to securely connect to the credit union. We set up home offices. We already were using Microsoft Teams, and we really kicked that into high gear, keeping in touch, helping each other out, making sure members' questions were being answered and work was getting done. We laughed a lot. We got to know each other's dogs, cats, and kids. We even learned a few K-pop dance moves. Some of us experienced personal loss. When that happened, we cried together and yearned to hug each other. Work and life continued—loans were made and repaid, debit and credit cards used for online purchases and to-go meals. We answered questions, re-set passwords, talked with members, opened and closed accounts. And not all from home offices.

Toni and I settled on opening the New York Avenue office on Tuesdays and Thursdays from 8:30 to noon. We knew members who transact business in-person, and we needed to be there for them. We also had to process incoming mail, and mail out checks and receipts. Somethings don't change, pandemic or not. I marked off spots six feet apart on the floor with pink duct tape, and the Board of Governors put up Plexiglas barriers for the teller line and we have gone through a lot of hand sanitizer and wipes. When we drove to the office in the Spring and Summer of 2020, it was eerie. No traffic. DC was so quiet. As the year rolled on, the St. Patrick's Day decorations remained in the New York Avenue building, reminding us when everything changed. Sobering. We watched as traffic and general activity slowly picked up over the year.

I would like to offer a huge thank you to the Board of Governors and the St. Louis Reserve Bank. Both our sponsors supported us throughout the year. I could not ask for better partners.

Next up? We are going through a full system upgrade on June 2, which will change online banking and our bill pay service and will add Zelle to our offerings. And then we move our offices back to the Board of Governor's renovated Martin Building in September. In a pandemic? Life changes, but never slows down, does it?

Thank you for putting your trust in us.

Respectfully,

Theresa Trimble
CEO

Your Staff

Theresa Trimble

Chief Executive
Officer

Julia Burke

Chief Operations
Officer

Puspa R. Shrestha

Chief Financial
Officer

Jaclyn Harrigan

Chief Lending
Officer

Jennifer Norris

Internal Audit/
Compliance Officer

Danielle Porter

Finance/Accounting/
HR Officer

Amelia "Toni" Small

Member Service

Marquette Hinton

Member Service

Alisha Foster

Member Service

Ming Wong

Member Service/
Marketing

Kaitlyn Hertzog

Member Service/
Marketing

Martha Demessie

Member Service

Sonia Angunawela

Member Solutions

Beverly Barnett

Loans

Jill Acra

Loans

Bridget Hurst

Loans/Records

Ling Chen

Finance/Accounting

Monica Johnson

Finance/Accounting

Sydney Williams

Data Analyst

