



2022 ANNUAL REPORT



BOARD OF DIRECTORS

Kenneth Franklin, Chairman
David Alexander, Vice Chairman
Christine Jung, Treasurer & ALCO Chair
Jared Arico, Secretary
Craig Delaney
Evangeline Edwards
Winona Varnon
Elena Falcettoni
Valerie Coleman

NOMINATING COMMITTEE

Peter Both, Chairman
Kevin Julius
Fran Horne
Thomas Pollaci

SUPERVISORY COMMITTEE

John Michels, Chair
Christopher Saykes
Carl Parkerson
Michael Ofori-Kuragu
Christopher Taylor
Peter Both, Alternate

Vision

A Lifetime of Financial Well-Being for All

Chairman's Report

At the FRB Federal Credit Union, our first and foremost priority is our members. Our mission is to meet the unique financial needs of our members to help build a lifetime of financial strength. Though we have low fees and competitive loan and savings rates, I believe it is our dedication to service that sets us apart. We will meet our members in the way they choose: in person, online, or on the phone. Though our staff is small in number, our commitment to the personal service of our membership is mighty and is our top priority.

Reflecting on the year 2022, I might call it a year of two halves. In the first half we saw a continuation of the gradual emergence from the pandemic and the opening up back to familiar societal norms. However, towards mid-year, the inflation thought to be transitory, proved to be harder to shake and as a result, created new struggles. The credit union was there to help members with their financial needs. As we move to 2023, we are seeing some alarming headlines and concerns with financial institutions. I can assure you that your credit union is and always will be a safe and stable place for you and your financial needs. Our interest is not in profit, but in service to our members. We truly appreciate the trust and confidence our members place in us to be their financial institution of choice.

My best to each and every member,

Kenneth L. Franklin

Chairman of the Board

FRB Federal Credit Union

Treasurer's Report

The FRB Federal Credit Union (the Credit Union) has an experienced board of directors that provide a robust oversight as well as a hard-working management team that operate under conservative values to provide the most competitive rates and services to our members. Safety and soundness is our first priority so members can rest easily and have the full confidence in the overall strength of the Credit Union. Our key strengths include strong capital position, significant access to liquidity, and high-quality member loans and investments.

As of December 31, 2022, the Credit Union reported total assets of \$128 million, an 8% increase from the previous year end. Total assets consisted of 73% in net loans, 20% in investments and deposits in other financial institutions, 4% in cash and cash equivalents, and 3% in other assets. Members' share and savings accounts stayed consistent from prior year at \$106 million, borrowed funds totaled \$12 million, and total members' equity was \$9 million as of fiscal year end.

During 2022, the Credit Union saw strong loan demand from members. To meet this demand and to fully serve our members at competitive loan rates, the Credit Union borrowed funds to help supplement the loan growth. Total loans were \$93 million as of December 31, 2022, which represents an 19% increase from the prior year. The loan portfolio mix remained consistent from prior year at 84% in real estate loans, 9% in vehicle loans, and 7% in other loans. We continue to adhere to strict underwriting criteria and limits, which is evidenced by the low delinquency ratio and net charge off ratio. The delinquency ratio remained under 0.48% throughout the year and net charge off ratio was less than 0.38% for 2022.

The Credit Union recorded a net income of \$453 thousand for the full year which represents a return on assets of 0.37%. The lower 2022 earnings were primarily due to the high inflationary environment and the expected slowdown in the economy which resulted in a higher operating cost and credit loss provision. However, capital net worth ratio remained strong at 8.82% as of December 31, 2022, which is in excess of the required regulatory requirement.

The Credit Union will continue to remain diligent in the evolving interest rate environment. 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.

Respectably,

Christine E. Jung

Treasurer

Condensed Opinion Letter



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, 2022 and 2021, and the related statements of comprehensive income (loss), members' equity, and cash flows for the years then ended; and in our report dated May 5, 2023, 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 5, 2023



STATEMENTS OF FINANCIAL CONDITION

December 31, 2022 and 2021

ASSETS	2022	2021
Cash and cash equivalents	\$ 4,472,862	\$ 10,474,529
Deposits in other financial institutions	4,666,047	4,925,047
Investments:		
Available-for-sale, at fair value	18,721,072	16,663,266
Held-to-maturity, at amortized cost	1,973,522	2,238,556
Other investments, at cost	289,752	257,755
Loans to members, net	93,648,692	78,896,693
Accrued interest receivable:		
Loans	222,608	181,634
Investments	62,124	37,172
Prepaid expenses and other assets	900,596	1,519,745
Deferred compensation plan	2,222,625	2,177,549
Premises and equipment, net	193,687	249,458
NCUSIF deposit	956,965	874,781
TOTAL ASSETS	\$ 128,330,552	\$ 118,496,185
LIABILITIES AND MEMBERS' EQUITY		
Liabilities:		
Members' share and savings accounts	\$ 106,408,496	\$ 107,083,582
Dividends payable	166,656	168,793
Accrued expenses and other liabilities	641,131	677,346
Borrowed Funds	12,000,000	-
Total liabilities	119,216,283	107,929,721
Members' Equity:		
Regular reserve	10,139,140	9,639,140
Undivided earnings	393,961	441,183
Accumulated Other Comprehensive Loss	(2,200,345)	(295,372)
Acquired equity	781,513	781,513
Total Members' Equity	9,114,269	10,566,464
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 128,330,552	\$ 118,496,185



STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2022 and 2021

INTEREST INCOME	2022	2021
Member loans	\$ 3,464,427	\$ 3,264,506
Securities, interest bearing deposits and cash equivalents	318,175	299,747
Total interest income	3,782,602	3,564,253
INTEREST EXPENSE		
Members' shares and savings accounts	272,376	277,220
Interest on borrowed funds	209,342	-
Total interest expense	481,718	277,220
Net interest income	3,300,884	3,287,033
PROVISION FOR LOAN LOSSES	111,705	(33,971)
Net interest income, after provision for loan losses	3,189,179	3,321,004
NON-INTEREST INCOME		
Fees, charges and other income	498,949	562,644
Other non-interest income	163,907	187,577
Total non-interest income	662,856	750,221
NON-INTEREST EXPENSE		
Employee compensation and benefits	1,702,880	1,655,149
General and administrative	991,901	945,562
Other operating costs	701,651	650,880
Loss on sale of repossessed assets	2,825	15,275
Total non-interest expense	3,399,257	3,266,866
Net income	\$ 452,778	\$ 804,359
OTHER COMPREHENSIVE INCOME (LOSS)		
Net unrealized losses on investment securities arising during the year	(1,904,973)	(295,372)
Total other comprehensive loss	(1,904,973)	(295,372)
Comprehensive (loss) income	\$ (1,452,195)	\$ 508,987



STATEMENTS OF CHANGES IN MEMBERS' EQUITY

For the Years Ended December 31, 2022 and 2021

	Regular Reserve	Undivided Earnings	Accumulated Other Comprehensive Income (Loss)	Acquired Equity	Total
Balances at					
December 31, 2020	\$ 9,039,140	\$ 236,824	\$ -	\$ 781,513	\$ 10,057,477
Net income	-	804,359	-	-	804,359
Other comprehensive loss	-	-	(295,372)	-	(295,372)
Transfers, net	600,000	(600,000)	-	-	-
Balances at					
December 31, 2021	9,639,140	441,183	(295,372)	781,513	10,566,464
Net income	-	452,778	-	-	452,778
Other comprehensive loss	-	-	(1,904,973)	-	(1,904,973)
Transfers, net	500,000	(500,000)	-	-	-
Balances at					
December 31, 2022	<u>\$ 10,139,140</u>	<u>\$ 393,961</u>	<u>\$ (2,200,345)</u>	<u>\$ 781,513</u>	<u>\$ 9,114,269</u>



STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities:		
Net income	\$ 452,778	\$ 804,359
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	74,493	70,297
Securities discount/premium amortization (accretion), net	(10,418)	18,750
Amortization of deferred loan origination (fees) cost, net	(124,765)	44,944
Provision for loan losses	111,705	(33,971)
Loss on sale of assets	2,825	15,275
Increase in interest receivable	(65,926)	(9,764)
Decrease in prepaid expenses and other assets	619,149	618,811
Increase in deferred compensation plan	(45,076)	(99,164)
Decrease in dividends payable	(2,137)	(16,240)
Decrease in accrued expenses and other liabilities	(36,215)	(276,955)
Total adjustments	<u>523,635</u>	<u>331,983</u>
Net cash provided by operating activities	976,413	1,136,342
Cash Flows From Investing Activities:		
Net decrease in deposits in other financial institutions	259,000	5,528,000
Purchases of securities available-for-sale	(4,000,000)	(18,014,122)
Proceeds from sale and redemption of securities available-for-sale	38,993	1,033,062
Purchases of securities held-to-maturity	(479,145)	(1,000,000)
Proceeds from sale and redemption of securities held-to-maturity	750,000	1,250,000
Net purchases of other investments	(31,997)	(24,443)
Net increase in loans to members	(14,738,939)	(892,033)
Purchases of premises and equipment	(18,772)	(36,724)
Increase in NCUSIF deposit	(82,184)	(154,235)
Net cash used in investing activities	<u>(18,302,994)</u>	<u>(12,310,495)</u>
Cash Flows From Financing Activities:		
Net (decrease) increase in members' deposits	(675,086)	6,797,397
Net draws on line of credit	12,000,000	-
Net cash provided by financing activities	<u>11,324,914</u>	<u>6,797,397</u>
Net decrease in cash and cash equivalents	(6,001,667)	(4,376,756)
Cash and cash equivalents, beginning of year	10,474,529	14,851,285
Cash and cash equivalents, end of year	<u>\$ 4,472,862</u>	<u>\$ 10,474,529</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for dividends and interest	<u>\$ 483,855</u>	<u>\$ 293,460</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. The second is to conduct a verification of member accounts, and to review transactions by credit union employees and Board members. Routine supervisory procedures are performed on a continual basis including conducting cash counts and tests of internal controls covering lending, employee & official accounts, share accounts, accounting, information systems, human resources, verification of accounts, and balance sheet categories.

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 and including the period since the last audit. For the 2022 period of performance the firm of DeLeon & Stang performed the audit in accordance with generally accepted audit standards (GAAS). The 2022 audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. Other successes include successful annual verification of member accounts as well as evaluation of the Credit Union's compliance with the Bank Secrecy Act (BSA), Automated Clearing House (ACH), and Electronic Funds Transfer (EFT) regulations. No instances of noncompliance with rules and regulations were identified.

I am pleased to report that the FRB Federal Credit Union received an unqualified ("clean") opinion from its auditors on the 2022 financial statements.

In 2022, the FRB FCU Supervisory Committee, working in concert with the Credit Union's internal auditor, worked to ensure all duties and responsibilities as specified in the "Supervisory Committee Guide for Federal Credit Unions" issued by the NCUA were adequately performed. The Supervisory Committee will sign off on the internal audits at the specified timelines as they are completed.

The Supervisory Committee is always available to assist with resolving issues related to member accounts or credit union operations, in the event the normal credit union resolution procedures are 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@frbfcu.org.

My thanks to our Supervisory Committee volunteers for their continued commitment and dedication to the overall success of our credit union.

Cooperatively,

John J. Michels

Chair, Supervisory Committee

CEO's Report

Dear Members,

I noted in my report last year that the credit union would focus on financial wellness in 2022. Little did I realize how critical that emphasis would become.

No one foresaw the events of 2022: Russia's invasion of Ukraine, continued supply chain issues, a significant deterioration in our country's relation with China, and inflation that we haven't seen in 40 years, which turned out not to be "transitory". Prices of everything jumped in 2022 and resulted in the Federal Reserve increasing interest rates at the fastest pace in many years to bring it back down. Inflation moderated, but stayed stubbornly high. So 2022 saw the double impact of high prices and high interest rates, which put a real strain on people's budgets and frankly, on their dreams.

When times get tough, we come together. We added 353 new members in 2022, which continued a trend of strong member growth. And it makes sense. As your credit union, we listen, and we focus on your needs. Our financial wellness team worked with members with their unique situations. Our loan team helped members improve their cashflow with debt consolidations while other lenders increased their rates to unconscionable levels. Member service spoke or emailed with many of you, and this year opened quite a few term certificates, as higher interest rates meant we could pay good rates on certificates for the first time in years. Member service also saw renewed interest in our IRA accounts, for the first time in many years. And, of course, the accounting team kept everything running smoothly in the background.

The news these days is full of analysis of the next new data points for hints of what is to come. I am reminded, however, of what my economics professor back in college used to say: "economics is all about people." And as your credit union, we understand that. We are focused on you and your needs. Data points come and go; we will always be here for you.

Cooperatively Yours,

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 Supervisor

Alisha Foster

Member Service

Ming Wong

Member Service/
Marketing

Kaitlyn Hertzog

Member Service/
Marketing

Martha Demessie

Member Service

Sonia Angunawela

Member Solutions

Jill Acra

Loan Administrator

Christine Jacobus

Loan Officer

Ling Chen

Finance/Accounting

Monica Johnson

Finance/Accounting

Sydney Williams

Data Analyst



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