



Exceptional Banking. Exceptional Service

2020

Annual Report

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President and Board Chair Report

Maintaining Business Operations

2020 was a memorable year for all. Most notable was COVID 19, striking fear and caution for many of us. We also endured wild fires impacting the San Gabriel Valley with smoke and ash, making life even more challenging for business and at times even for breathing.

Foothill Credit Union did not escape either of these life changing events. In Los Angeles County COVID mandates by our governor and health department closed many business and all of our schools. Financial Services are deemed “essential services” and, for better or worse, were required to remain open to serve our members. Many of our members embraced electronic transaction alternatives, reducing in-person contact, however, all our branches remained open to serve members, in person, throughout 2020.

The impact to Foothill’s employees was significant. Almost half of our team worked remotely at times during the year, and many of our team will be working remotely on a permanent basis. While remote work saves time commuting and is convenient for many, it is more difficult to communicate and stay engaged with your team. The Foothill team has become adept at video conferencing and virtual meetings, as well as embracing new ways to remain connected with others and maintain good emotional health.



“

Foothill credit union had been a big help to me during this pandemic. They were so understanding of my situation and because of that I’m grateful for them. I also appreciate all the staff members that helped me along the way, they were really patient and guided me through the process during this unprecedented time.

Thanks again!

Maria T.
Member Since 2008

”



Impact to Select Employer Groups

The impact to Foothill's members varied widely, our school and hospital workers remained employed. However for our educators, much like our remote workers, teaching in a virtual environment presented many new challenges. Our educators responded admirably to the challenges, engaging students in creative ways. Our hospital workers have been put under tremendous strain with the treatment of COVID patients and at times surges in hospital capacity, stressing systems and personnel to the limit. With the introduction of three vaccines in early 2021, we started to see some improvement and a light at the end of this difficult journey.

Financial Strength

Foothill's financial results for 2020 were excellent, as evidenced by the following results and trends:



\$102.5 million in deposits, up 24%

\$53.8 million in loan growth, up 18%

Net worth of 10.94%
(remained above peer)

Delinquent loans declined from 0.17%
in 2019 to 0.09% in 2020



Our Board of Directors remained committed to the success of Foothill, meeting virtually throughout 2020, including holding the annual

membership meeting virtually. Due to the pandemic, we cancelled plans to remodel our Arcadia and Glendora facilities, however, we continued to improve other transaction alternatives, installing three new ATMs, one at each of our facilities, ensuring that ATM access was uninterrupted. Now all of the ATMs at our facilities give members the choice of denominations in 20's and 5's for improved convenience. We continue to make improvements to our online tools with fillable forms and electronic signature capability. The branch team is in the final testing stages of introducing an electronic scheduling system that will allow members to schedule an appointment at any of our locations in advance, reducing waiting time and improving efficiency for everyone.



\$200 million + Mortgages Funded
 244% increase over 2019
 350 New Loans Funded

Our real estate team moved towards a fully digital mortgage loan process, allowing members to upload documents digitally and complete most of the application, processing, and ultimately funding,

“2020 was a very difficult year for our family; without the help of Foothill Credit Union we would not have been able to provide for our family, this institution has really gone above and beyond to assist us in this difficult times.”
 Jose F.
 Member Since 2015

electronically.

Additionally, our team introduced Zelle, a person to person real time payment system for mobile payments. This is very popular with thousands of members using the new system just within the first few months of being introduced.

4,844 new users

\$4.9 million in funds moved



The branches are now able to issue members new or replacement credit and debit cards, on the spot in the branch, eliminating the wait time for a card to be mailed. Of course, we continued to offer free document shredding at our branches periodically during the year, another way to help members improve information security.

Looking Ahead

In 2021, we anticipate introducing contactless card transactions for members, a feature that will allow transactions at ATMs without touching the key pad, screen or other physical components. An option that will improve safety, especially in light of COVID transmission. We are also developing technology that will allow members to open an account from their work location in a fully digital manner including the funding of the account and a more convenient loan application process for consumer loans.

Our marketing and business development team has produced a number of excellent video presentations about Foothill's services. These videos allow our school and hospital partners to introduce team

members/employees to Foothill Credit Union without in person contact. We will continue to make these tools available to our partners for their convenience. Our team also posts interesting and pertinent information on social media sites such as Facebook, Instagram, Twitter, and LinkedIn.

CEO Transition

I joined the Foothill team as CEO in 1995, and have now worked with our wonderful board of directors and members for over 25 years. In June 2021, I will be retiring, starting a new chapter with my family. The Board of Directors has begun a search for my replacement and expects to announce the hiring of my replacement, an important decision for the future of Foothill, in April or May of this year.

The experience of working with the board and 85 team members has brought me much joy and satisfaction and I'm grateful for the wonderful experience. Foothill has a dedicated and talented team that has enabled healthy growth for the organization and opportunity for many team members. In 1995, Foothill served 15,000 members with assets of \$50 million. Thanks to the support of our members, team, and board, Foothill now serves almost

30,000 members with assets just over \$600 million. Our member surveys indicate that our level of member service ranks top tier when compared to peers, which we are very proud of. My thanks to the many members I've had the opportunity to assist with your financial needs, it has been a pleasure.

One of my favorite quotes is from Jack Canfield, author of *Chicken Soup for the Soul*, and states: "Gratitude is the single most important ingredient to living a successful and fulfilled life." I have certainly experienced that here at Foothill 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



Scott Petterson,
Board Chair

“

2020 was a blow that many of us felt. Our one income family suffered a layoff that made it impossible for us to keep current on any of our bills. The staff at Foothill was very helpful and understanding. We are very thankful to be members of a financial institution that cares and works together with us when such an unexpected situation arises. Thanks Foothill!

Brandie G.
Member Since 2014

”



Left to right: Scott Petterson, Tamara Murphy, Rafael Soriano, David Jaynes, Scott McCulley, Linda Dempsey, Marc Chaldu

Supervisory Committee Report

Foothill Federal 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

The Supervisory Committee contracted with Richards and Associates (Richards), a CPA firm specializing in credit union

“ I have had my fair share of troubles finically over the past few years...especially with COVID, it hasn't made things easy for anyone, but with the COVID relief plan you guys have, it makes a few things easier. Overall Foothill Federal Credit Union is one of the best banks out there.

Brooke P.
Member Since 2015



Left to right: Tony Ramirez, Brandon Craig, Kevin Hryciw, Ryan Chiechi, David Jaynes (not pictured)

audits, to conduct the external audit of the credit union's financial statements as of and for the year ending December 31, 2020. Richards continues to perform well in their auditing role and 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, 2020.

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

Kevin Hryciw,
Supervisory Committee Chair

Executive Team



During 2020, I was inspired by our 85 team members working together to offer exceptional service to members and encouragement to others during challenging circumstances.

Brian Hall
Chief Executive Officer



Foothill's member loyalty and satisfaction scores were at all-time highs during the first three months of the COVID19 outbreak. I am extremely proud of our Foothill team that took genuine care of our members during the pandemic over the past year and we are so very thankful for the tremendous loyalty of our members.

Chris Andersson
Chief Experience Officer



I'm so proud that we could support our members for their financial needs during this pandemic. All of our branches remained open to serve our membership. We sponsored and dropped off goodies at our core membership and thanked them for their tireless effort!

Jackie So
Chief Finance Officer



Online Banking Users (monthly average)

<u>2019</u>		<u>2020</u>
11,770		15,777



Mobile Banking Users (monthly average)

<u>2019</u>		<u>2020</u>
3,163		4,032



Online Learning Modules

6,849

Financial Topics
Viewed



Consumer Loans Signed with DocuSign

87%



ATM Upgrades

3 New ATMs installed

Ability to dispense \$5's & \$20's



Financial Seminars

1,969 members

Attended a Financial Seminar

This year was difficult during the pandemic, but with advances in technology and willingness of our members and staff, we were able to successfully provide the high level of service that our members have come to expect. We will continue to bring the latest technologies to the forefront to serve our membership.

Linnie Gooch
Vice President of Technology



The Foothill team goes above and beyond to serve our members. Even through the challenging times of 2020 our team members worked together and were able to improve or maintain the financial lives of our members by offering unique solutions to individual situations, whether it was a payment deferral, reduced payment or a home refinance.

Judy Schaeffler
Vice President of Lending



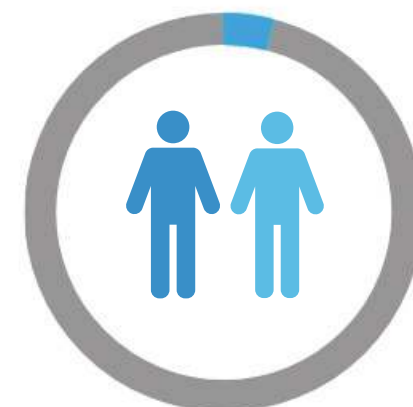
Helping our team achieve their professional goals while working in a healthy and productive work environment that strives to help our member-owners achieve financial health is extremely motivating to me.

Silvia Miramontes
Human Resources Director



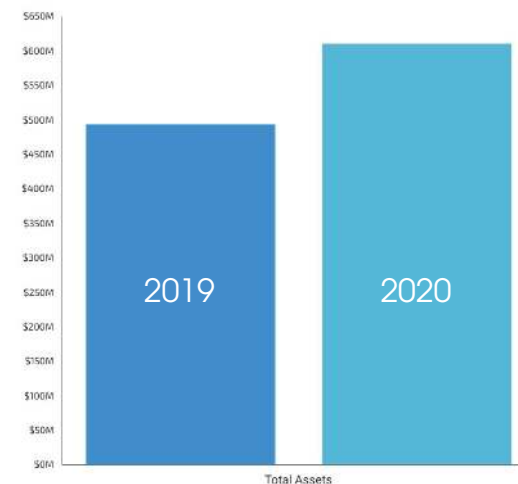
Income Statement

	2020	2019
Interest on Loans	13,746,593	12,556,584
Interest on Investments	2,390,705	3,722,712
Total Interest Income	16,137,298	16,279,296
Dividends on Members' Shares	3,065,031	3,066,843
Interest on Borrowed Funds	-	3,081
Total Interest Expenses	3,065,031	3,069,924
Net Interest Income	13,072,267	13,209,372
Provision (Credit) for Loan Losses	964,858	858,867
Net Interest Income after Provision for Loan Losses	12,107,409	12,350,505
Service charges and other income	6,360,493	5,054,420
Other Operating income	-	-
Rental income	189,545	209,565
Gain on servicing assets	591,895	512,772
Gain on sale of investments	4,151	-
Other non-operating income	423,754	393,533
Total Non-Interest Income	7,569,838	6,170,290
Salaries and Benefits	7,840,610	6,806,912
Office operations	3,597,747	3,270,275
Office occupancy	781,660	756,235
Other expenses	2,136,592	2,245,539
Other operating expenses	132,833	303,232
Total Non-Interest Expense	14,489,442	13,109,284
Net Income	5,187,805	5,017,978



Membership Growth

FFCU	Peer
3.49%	3.32%



Asset Size

2019	2020
\$494M	\$611M

Balance Sheet

	2020	2019
Assets		
Cash and Cash Equivalents	49,702,094	32,310,968
Investments	178,856,551	137,287,022
Loans Receivables, Net of Allowance for Loan Losses	356,584,029	303,235,976
Accrued Interest Receivable	1,228,207	1,151,294
Property and Equipment, Net of Depreciation	9,952,613	10,138,144
NCUA Share Insurance Deposit	4,573,116	3,856,625
Mortgage servicing rights	1,844,485	1,713,250
Prepaid Expenses and Other Assets	8,550,438	4,404,308
Total Assets	<u>611,291,533</u>	<u>494,097,587</u>
Liabilities		
Member Shares	528,161,066	425,642,685
Notes payable	5,000,000	
Accounts Payable and Other Liabilities	9,014,486	6,911,137
Total Liabilities	<u>542,175,552</u>	<u>432,553,822</u>
Members' Equity		
Appropriated (regular reserve)	2,507,811	2,507,811
Unappropriated (undivided earnings)	64,178,193	58,990,388
Equity acquired through merger	176,555	176,555
Accumulated Other Comprehensive Income	2,253,422	(130,989)
Total Member' Equity	<u>69,115,981</u>	<u>61,543,765</u>
Total Liabilities and Members' Equity	<u>611,291,533</u>	<u>494,097,587</u>



Deposit Growth

FFCU
24.09%

Peer
20.71%

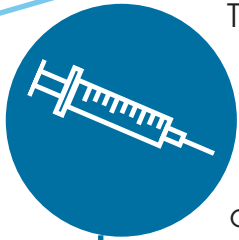


Loan Growth

FFCU
17.69%

Peer
6.54%

Community Service



The team coordinated and hosted a blood drive at our Arcadia branch, with our partner, City of Hope. Foothill also continued its sponsorship of the Daisy Award program at City of Hope. This is a quarterly award presented to nurses for providing exemplary care. Foothill's Business Development team was able to join these presentations in-person prior to COVID, and virtually during the pandemic.



Supporting our hospital employer groups was a high priority. During Hospital Week team members took signs out to our hospital partners with messages of support and encouragement.

The Business Development Team also delivered baskets of snack and beverages to the our hospital groups to help boost moral.

The credit union also hosted free coffee days in partnership with local coffee shops inviting hospital employees to stop in and get a beverage of choice "on us."



While visits to our select employer groups may have been off-limits for the majority of the year, the Foothill team found new ways to connect. The annual College Bound Scholarship offered to high school students were presented in a "drive by" fashion.

January 2020



May 2020



June 2020





Showing appreciation to our essential workers was important during the pandemic. We delivered baskets of snacks to the Arcadia, Azusa, and Glendora police departments as a token of our appreciation on Law Enforcement Appreciation Day.



Zoom became a staple for joining school staff meetings to present classroom improvement grants. Applications this year had a major emphasis on teaching remotely as teachers transitioned to instruction from their own homes. Foothill was able to fund 67 grants, totalling over \$25,000.

We visited school district employees who were preparing meals for at-home students and took them Foothill water bottles filled with candy. The credit union also hosted free coffee days in partnership with local coffee shops inviting school district employees to stop in and get a beverage of choice "on us."



The credit union celebrated member appreciation day with individually wrapped cookies and drinks for in-branch members to take. We were still able to show our members our appreciation, while maintaining health and safety measures.

August 2020



September 2020



October 2020





Exceptional Banking. Exceptional Service

Our Vision:

To build lifelong member financial health through exceptional member relationships and community service.

Our Mission:

Foothill CU exists to improve members' financial health by providing an exceptional member experience and excellent financial products and services.

Board of Directors:

- Scott Petterson, Chair
- Scott McCulley, Vice Chair
- Linda Dempsey, Treasurer
- David Jaynes, Secretary
- Marc Chaldu, Director
- Rafael Soriano, Director
- Tamara Murphy, Director

Our Branches:

- Arcadia: 30 S. First Ave.
- Covina: 928 N. Citrus Ave.
- Glendora: 645 S. Lone Hill Ave.

Contact:

626-445-0950
www.foothillcu.org

Follow Us:



Foothill has supported Azusa High School over the past three years...and personally they've helped me with the Summertime Savings account... (they have) provided me with the career advancement scholarship and I'm able to continue my studies as a life-long learner. I want to thank Foothill Credit Union for everything they've done for Azusa High School and myself."

Martin G.
Principal of Azusa High School
Member Since 2019

