

2017

ANNUAL REPORT



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A MESSAGE FROM THE CHAIR & PRESIDENT

Since our founding in 1934, Educational Employees Credit Union (EECU) has been committed to providing affordable financial products and services, supporting local communities, and ensuring that our members receive the personal service and attention they deserve.

The year 2017 was a year of growth and accomplishments. We implemented new services and improved existing ones, added locations, increased our membership and asset size, and maintained our solid financial footing and reputation.

We ended 2017 with more than \$2.9 billion in assets. By asset size, we are the largest credit union in the central San Joaquin Valley and the 15th largest credit union in California. More than 13,000 new members joined EECU last year, bringing our total membership to more than 274,800 as of December 31, 2017.

We expanded our ATM network to ensure that you continue to have convenient access to your accounts. Last year we opened ATMs in Hanford at the Fargo Crossing shopping center, in Fresno's Tower District, and at our Clinton Way branch. In January 2018, we opened a branch in Sanger, increasing our total number of branches to 19.

Mobile devices are now ubiquitous and their use as a phone is often secondary to the many other things that you can do with them, including paying for your purchases. We began offering Apple Pay in 2015 and last year we added Google Pay and Samsung Pay to our digital wallet offerings. We also enhanced our mobile app with new features such as the ability to schedule recurring transfers and set up banking alerts, and view balances without opening the app.

Because we are member-owned, our success depends on your satisfaction with the service we provide. When you're happy with our service, we want to hear about it. And when our service doesn't meet your expectations, we want to hear about that, too! In 2017 we introduced a text message service to give you a quick and easy way to send us your feedback. Our branches, Call Center and Consumer Lending Department have dedicated text numbers so you can send feedback about your experiences with us. By the end of the year we had received more than 7,100 text messages and 92 percent of them were positive responses. Thank you!

We're also sending weekly email surveys to targeted groups of members about their experience opening a new account or a loan. There are many other ways to communicate with us too, such as Facebook, Twitter, email, phone call, and in person. We are here – and we're listening.

Our roots are in education, and so we remain committed to supporting the academic community. Through our Student Grant Program, we annually award \$100,000 to members who are pursuing higher education. To date, we have awarded more than \$1.2 million to deserving students.

We have a team of employees who specialize in creating and presenting our financial literacy curriculum, programs and workshops to children of all ages throughout the central San Joaquin Valley. Last year more than 26,000 people attended financial education events hosted by EECU. They learned about basic money management skills, preparing for financial independence, creating budgets, building credit, and more.

Financial institutions have a reputation for being serious. But, we have a fun, playful side too. David and Derek Carr have been EECU spokespersons since 2014, and last year we launched a campaign to introduce Derek's debut single, "A Bank I Can Trust." The campaign and the music video were very successful and received national attention from the likes of USA Today, ESPN, Sports Illustrated, and NFL Total Access, to name a few. Sports Illustrated called Derek's music video the "greatest athlete commercial ever." If you're a fan, don't worry – he's not leaving football for a career in music!

We are proud of what we have accomplished together and we look forward to our continued growth and success in 2018.

Derek F. Scharton, Chair, Board of Directors
Elizabeth J. Dooley, President/CEO

MINUTES OF THE ANNUAL MEETING OF THE MEMBERSHIP EDUCATIONAL EMPLOYEES CREDIT UNION

June 16, 2017

CALL TO ORDER

Elizabeth J. Dooley, President/CEO, welcomed everyone to EECU's Annual Meeting and expressed appreciation to the members and guests for attending. She thanked the administration at Alta Sierra Middle School as they have allowed EECU to have this event here for the last several years.

President/CEO Dooley introduced Eddie the Owl, the mascot for our 4-Kids Program. He is excited to be here and looks forward to it every year. He wants to hang out with some of his buddies. She invited the kids to join Eddie the Owl to have fun.

President/CEO Dooley indicated copies of our full audited statement of financial condition as of year-end are available to those who are interested in receiving a copy (distributed by members of the management team).

Susan Anderson is the official Annual Meeting parliamentarian. Ms. Anderson has a total of 22 years of service in public office, and retired in 2013 from the Fresno County Board of Supervisors. Currently, she is a practicing attorney in Fresno. We appreciate your public service, Susan.

While many people believe that credit unions are just like banks – and in some ways they are – a fundamental difference between banks and credit unions is that credit unions are owned by members not shareholders (as in banks). Credit unions are comprised of members. Some of those members – people just like you – are elected to the Board of Directors or the Supervisory Committee. They volunteer their time to ensure the credit union operates in a safe and sound way while protecting member assets. They are not paid; strictly volunteers. That is a very important distinction from banks. Additionally, credit unions return earnings to members in the form of lower loan rates, updated technology, higher dividend rates, etc. We thank you for choosing EECU for your financial transactions.

New Membership

Just under 13,000 new members joined EECU last year. As of March 31, 2017, EECU had a membership base of just over 265,000. We realize that level of growth is because of you and your loyalty to EECU. A second ATM was added at the Fowler & Ashlan location, and new ATMs were opened at Campus Pointe and Hanford. In 2016, debit and credit cards were replaced with EMV chip cards for additional security, and during the months of March and April, we updated the ATM software to read the EMV card chip. This security protection upgrade affected the transaction speed - it slowed down the transaction speed (both point-of-sale and at ATMs). We are working diligently on ways to accelerate and improve the speed.

Additional ATM features like customized cash denomination preference, and surcharge-free CO-OP withdrawals were reviewed. Several credit unions participate in the CO-OP as well as several 7-11s and Costco. Members are able to locate CO-OP ATMs across the nation through our website or with the EECU mobile app. The credit union provides remote deposit capture through use of your cell phone. You can take a picture of your check and deposit it into your EECU account.

EECU's website provides an ATM locator that can be utilized on your mobile phone.

In addition to the new ATMs opened this year, we now have a full-service branch at Clovis West High School, which is, in part, run by students. This is EECU's first student branch and we are very excited about it. The Clovis West ATM is also available – convenient to those members living within that area.

The following branch changes occurred:

- EECU successfully merged with So-Val Tel Federal Credit Union, adding about 1,800 new members. This branch office is located near the airport on Clinton Way.
- The Merced branch was relocated to a higher traffic area with better visibility.

It is anticipated that these branch changes should provide greater member convenience.

President/CEO Dooley introduced Derek Scharton, Chair of the Board of Directors.

CHAIRMAN'S COMMENTS

Chair Scharton thanked President/CEO Dooley and welcomed all members and guests. He indicated that 2016 was a great year for EECU.

- EECU assets were more than \$2.8 billion as of 12/31;
- Net worth is at 12.36% - well above the 7% required for EECU to be considered well-capitalized;
- EECU is the 70th largest CU in the U.S., 13th in the state, and the largest in the central San Joaquin Valley;
- More than 2.1 million transactions were processed in the branches;
- 687,281 calls were handled by our Member Service Center (MSC);
- A total of 2+ million financial transactions were processed in online banking, and 1.7 million on our mobile app.;
- Sponsored Excellence in Education programs within five counties that recognize valley educators; and
- One of several companies that sponsored the Civil War Reenactment as well as the Central Valley Women's conference.
- Donations were made to:
 - The Kremen School of Education
 - Craig School of Business at CSUF
 - Marjaree Mason Center
 - Fresno Historical Society
 - Special Olympics
 - UC Merced
 - West Hills College, and
 - Central Valley Honor Flight
 - as well as many other organization and events

Because of our members, EECU was able to give back and support the community.

EECU was voted as best CU in the Valley – received for the 11th consecutive year. Chair Scharton thanked President/CEO Dooley and the employees of EECU for doing a great job.

Chair Scharton called the Annual Meeting to order at 7:50 p.m. The purpose of this meeting is to:

- Meet the requirement of holding an Annual Meeting of the membership;
- Present the Annual Report including financial statements;
- Report on the election results;
- Approve the 2016 Annual Meeting minutes; and
- Announce the Grant Program recipients for this year.

The Supervisory Committee for 2016-2017 was introduced:

- Tom Borhardt, Chair
- Lisa Cutts, Secretary
- William Clark, committee member
- Ali Nekumanesh, committee member
- Phil Neufeld, committee member

The Board of Directors for 2016-2017 was introduced:

- Mike Snell, Vice Chair
- David Roberts, Treasurer
- Paul Hokokian, Secretary
- Cleo Bauer-Papagni
- Rick Browning
- Walter Franzell
- Barbara Thomas
- John Tinker

The Associate Volunteers for 2016-2017 were introduced:

- Mike Berg
- Diego Moreno

The Emeritus Board Member was introduced:

- Carol Munshower

A quorum of at least 25 members is required to be present for the annual meeting. The quorum was met with 2,212 members and guests in attendance.

MINUTES APPROVAL

The minutes of last year's annual meeting are published in the annual report.

MOTION

A motion to approve the June 17, 2016, annual meeting minutes was moved by member, Sandra Gorham. The motion was seconded by member, Tim Thomas.

The motion was voted on and passed.

The annual report contains a combined message from the credit union's President/CEO and the Board of Directors, a message from the Supervisory Committee, and the unaudited Balance Sheet & Income Statement as of March 31, 2017.

MEMBER GRANT RECIPIENTS

Chair Scharton provided information on the Grant Program.

- The EECU Board of Directors established the Grant Program in 2003; and
- Thus far, \$1.1 million has been awarded to 725 student-members.

For this year 382 student applications were received for one of fifty \$2,000 education grants. EECU employee, Michelle Hernandez, has administered the program and

the committee for the past 15 years. Thirty-six individuals served on this committee this year. The grant program volunteers were recognized for their contribution to the continued success of the program. The grant recipient names for this year along with a group photo will be displayed at each branch location. Chair Scharton congratulated the grant recipients, and certificates were presented to all recipients in attendance.

Recipients of the Employee Grant Program were also recognized. Up to ten \$2,000 grants to spouses and dependents of employees pursuing higher education are awarded annually. Certificates were presented to those in attendance.

ELECTION RESULTS

Chair Scharton introduced Dick Ashjian, Senior Vice President (SVP) – Risk Management and Inspector of Election, who will present the election results.

SVP Ashjian noted that each year EECU seeks volunteers from the membership to run for the Board of Directors and the Supervisory Committee through newsletters, articles, and statement inserts.

Three members were nominated for the Board of Directors, and one for the Supervisory Committee. No petitions were received this year, therefore the Board of Directors declared that those nominated are elected without the need for an election.

Those elected to the Board of Directors for a three-year term were:
Rick Browning, Dave Roberts, and John Tinker

The candidate elected to the Supervisory Committee for a three-year term was: Ali Nekumanesh

The newly elected officials were congratulated. SVP Ashjian stated that the Chair of the EECU Nomination and Election Committee and the Inspectors of Election certified the results of this election, which was conducted in conformity with the provisions of applicable law and EECU bylaws. The Election Committee concluded this election report.

Chair Scharton concluded the official business and declared the Annual Meeting adjourned at 8:10 p.m.

The drawing for various door prizes was held, and all members and guests present were invited to continue to enjoy the event activities until 9:00 p.m. (It was noted that employees and their immediate family members were not eligible to receive prizes.)

Derek Scharton, Chair
M. Levandusky, Recording Secretary

Balance Sheet

As of March 31, 2018

Assets

Member Loans	\$ 1,222,352,790
Allowance for Loan Losses	(10,305,459)
Deferred Loan Fees	4,413,383

Net Loans to Members **\$ 1,216,460,714**

Accrued Interest Receivable	\$ 8,254,970
Cash/Cash Equivalents	315,272,030
Investments	1,433,763,413
Unrealized Invest. Holding Gain (Loss)	(25,934,328)
Property and Equipment	18,090,192
NCUSIF	24,646,408
Other Assets	25,486,468

Total Assets **\$ 3,016,039,867**

Liabilities and Equity

Liabilities **\$ 34,303,194**

Regular Shares	1,409,825,178
I R A Shares	41,034,316
Special Share Certificates	554,955,955
I R A Certificates	116,695,483
Share Drafts	519,340,571

Total Member Liability **2,641,851,503**

Total Liabilities **\$ 2,676,154,697**

Retained Earnings	\$ 371,226,982
Unrealized Invest. Holding Gain (Loss)	(25,934,328)
Unrecognized Postretirement Gain (Loss)	(5,407,484)

Total Liabilities and Equity **\$ 3,016,039,867**

Consolidated Income Statement

April 1, 2017 – March 31, 2018

Revenue

Income from Loans	\$ 54,138,078
Income from Investments	28,443,911
Fees and Charges	11,789,340
Miscellaneous Operating Income	23,592,800

Total Revenue **\$ 117,964,129**

Interest Expense

Dividend Expense	10,080,633
Interest Expense	0

Total Interest Expense **\$ 10,080,633**

Operating Expense

Employee Compensation and Benefits	\$ 34,457,311
Education and Development	607,869
Office Occupancy Expense	3,968,566
Office Operations Expense	14,806,990
Educational/Promotional	5,164,488
Loan Servicing Expense	11,522,098
Professional and Outside Services	4,079,143
Provision for Loan Losses	5,017,195
Miscellaneous Expense	548,843
Sundry Expense	1,109,443

Total Operating Expense **\$ 81,281,946**

Net Income **\$ 26,601,550**

A MESSAGE FROM THE SUPERVISORY COMMITTEE

The Supervisory Committee members are elected by EECU members. The Committee's primary responsibility is to work with management to engage an independent CPA firm to perform annual audits of the credit union's financial statements and verification of member accounts. Further, the Committee oversees and reviews the activities of the internal audit department, and works with state and federal regulators to ensure that the credit union's policies, procedures and internal controls are adequately designed to protect member's assets.

It is my pleasure to report that EECU continues to be a financially sound credit union and remains committed to ethical business practices, honesty, and financial integrity at every level.

The Committee retained the services of Moss Adams LLP, a national CPA firm, to perform the annual financial statement audit and verification of members' accounts. I am pleased to report that, in their opinion, the balance sheets and related statements of income fairly present, in all material respects, the financial position for EECU and conform with generally accepted accounting principles. Combined with periodic regulatory examinations and planned internal audits, members should feel confident that the credit union's financial performance and operations are regularly evaluated for safety and soundness.

We wish to express our appreciation to the Board of Directors, management and staff for their continued cooperation and diligence.

Lisa Cutts

Chair, Supervisory Committee

Mailing Address

P.O. Box 5242
Fresno, CA 93755

Toll-Free Nationwide

1-800-538-3328

Personal Telephone Access

1-800-649-4PTA (4782)

Website

myEECU.org

Branch Hours

Monday – Thursday
9 a.m. – 5 p.m.

Friday
10 a.m. – 6 p.m.

Member Service Center Hours

Monday – Friday
7 a.m. – 7 p.m.

Saturday
9 a.m. – 1 p.m.

Branch Locations

Clovis	Reedley
Fresno	Sanger
Hanford	Selma
Madera	Tulare
Merced	Visalia

EECU Size Ranking (by assets)

As of December 31, 2017

Central San Joaquin Valley	1
California	15
United States	72

Board of Directors

Derek Scharton, Chair
Mike Snell, Vice Chair
Dave Roberts, Treasurer
Paul Hokokian, Secretary
Cleo Bauer Papagni
Rick Browning
Walter Franzell
Barbara Thomas
John Tinker

Supervisory Committee

Lisa Cutts, Chair
Ali Nekumanesh, Secretary
Tom Borchardt
William Clark
Phil Neufeld

