



ANNUAL REPORT 2022





Thank you to our membership
for helping us achieve this critical
growth milestone.

2022 **\$1 Billion** IN ASSETS

2017 **\$500 Million** IN ASSETS

1951 **\$84** IN ASSETS

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The Board of Directors



James Kisner
BOARD CHAIRMAN



David Bosman
VICE CHAIRMAN



James Knoff
TREASURER



Linda Kennedy
SECRETARY



Linda Dhaemers
BOARD MEMBER



Tim Dunne
BOARD MEMBER



Jason Larter
BOARD MEMBER



Lisa Parke
BOARD MEMBER

Management

President/Chief Executive Officer
Eric Renaud

SVP/Chief Financial Officer
Antonio Dias

SVP/Chief Administrative Officer
Angi Griffin

SVP/Chief Retail Officer
Celyna Cervantes

SVP/Chief Credit Officer
Adam Coggshall

SVP/Chief Technology Officer
Bruce Barnett

SVP/Organizational Development
Leah Friedenber

Vice President/Human Resources
Sarah Holt

Vice President/Marketing
Jennifer Overpeck

Vice President/Compliance
Aaron Stewart

Vice President/Loan Operations
Eddie Frasquillo

Vice President/Home Loans
Kyle Trafton

The Committees

Supervisory Committee

Victor Thornton, <i>Chair</i>	Paige Shockley
David Finerson	Michael Klinicki, <i>ALTERNATE</i>
Matt Goldie	Ron Parker, <i>EMERITUS</i>
Rudy Ingersoll	

Asset & Liability Committee

James Knoff, <i>Chair</i>	Antonio Dias
David Bosman	Angi Griffin
Cindy Campano, <i>RETIRED</i>	James Kisner
Celyna Cervantes	Eric Renaud
Adam Coggshall	

2022 Annual Meeting Minutes

Mr. James Kisner, Chairman of the Board, opened the official meeting at 6:05 p.m. Dave Bosman, Vice Chair, declared a quorum had been met to be an officially qualified business meeting. Mr. Kisner reported having celebrated the credit union's 70TH Anniversary that took place in 2021, while simultaneously working through several system changes and upgrades. Necessary modifications have been put into place to continue serving members in the best way possible.

Mr. Kisner then thanked the employees for volunteering in the Pima Federal Credit Union Golf Classic that ultimately raised a new record of \$66,000. The beneficiaries, Literacy Connects, Southern Arizona Law Enforcement Foundation, and Greater Tucson Fire Foundation, each received \$22,000. He also recognized the credit union for awarding a total of \$10,000 to five deserving graduating seniors. Lastly, he graciously thanked members, employees, and volunteers for their continued support of the credit union.

Mr. Kisner asked for a motion to approve the minutes from May 25, 2021, as printed. A motion was made, seconded, and the motion carried. Mr. Kisner asked if there was any Old Business and there was none. He then introduced Mr. James Knoff, Treasurer, to deliver the Treasurer's Report.

Mr. Knoff highlighted the amazing growth in Total Assets year-over-year of over 20%, Total Loans increased 20% to a total \$562 million, and Member Deposits increased by 22.7% to a total of \$837 million. He reported the credit union continues to be financially strong allowing for competitive products and services. Mr. Knoff asked to have the Treasurer's Report approved as printed on page 8 of the Annual Report.

As Chair of the Asset & Liability Committee (ALCO), Mr. Knoff then highlighted the committees' primary objectives and asked to have the ALCO Report approved as printed on page 8 of the Annual Report. He then introduced Mr. Victor Thornton, Supervisory Committee Chair.

Mr. Thornton reported that the Supervisory Committee is the Credit Union's Audit Committee and based on various reports of public accounting firms, regulatory reviews, internal reviews, meetings

with credit union management and the compliance department, the committee feels the credit union is performing appropriately to sustain a safe and secure future. The credit union is well managed with a strong commitment to serving the membership.

Mr. Thornton thanked the Board of Directors, Management, and Employees for their dedication to protecting member assets and operating with integrity and sound business practices. He also thanked member owners for their trust. Mr. Thornton then asked to have the Supervisory Committee's Report approved as printed on page 9 of the Annual Report. Mr. Thornton introduced Mr. Dave Bosman, Nominating Committee Chair, to announce the results of this year's Board Election.

Mr. Bosman started by thanking the nominees David Finerson, Tim Dunne, Pedro Nájera, and Linda Dhaemers for this year's election and for their commitment to the credit union and its success. He then announced and congratulated the three nominees Pedro Nájera, Tim Dunne, and Linda Dhaemers for receiving the most votes. Each nominee will fill a Board seat for a three-year term.

Mr. Bosman acknowledged and thanked David Finerson for his 35 years of service to the credit union as both a Board and Supervisory Committee Member. Mr. Finerson will continue to serve as a member of the credit union's Supervisory Committee.

Lastly, Mr. Bosman thanked the members who took the time to exercise their vote and impact the future of the credit union.

Mr. James Kisner was reintroduced, he asked if there was any New Business and there was none. He then allowed time to answer questions from the membership present. Mr. Kisner asked for a motion to approve the committee reports as presented. A motion was made, seconded, and the motion carried.

Next, Mr. Eric Renaud, President/CEO was introduced. He provided an overview of the 2021 financials, highlighting record earnings, and that the Provision for Loan Loss took a credit of \$260,000+. Delinquency remained at an all-time low, home and multi-family loans were of high quality, and total loans increased from \$471 million in 2020 to \$564 million at year end.



Mr. Renaud reviewed five-year financial trends showing increases in Total Shares, Term Share Certificates, Total Assets, and a slight growth in Number of Members. He reported that member growth has been organic and has not been acquired through vehicle loans at dealerships. The Capital Ratio dropped from 10.77% in 2017 to a (strong) 9.89% in 2021, and the credit union remains at a 5-Star rating from Bauer Financial.

Mr. Renaud announced the different awards received by the credit union, reiterated the success of the Golf Classic, and shared that a total of 565 hours were volunteered by employees at 30 different organizations and a total of \$136,000 was granted through sponsorships and donations to several different charitable organizations. He stated that financials drive what the credit union

can do for the community, and he is pleased with what the credit union has been able to accomplish.

Lastly, Mr. Renaud reviewed the technological enhancements recently made and those coming soon. He shared the objectives for the coming year and stated the credit union is on an incredible journey because of each member, employee, and volunteer. Mr. Renaud then allowed time to answer questions from the membership present.

Since there was no further business, Mr. Kisner asked for a motion to adjourn the meeting. A motion was made, seconded, and the motion carried. The meeting was adjourned at 6:45 p.m. ■

A message from Our Chairman & President/CEO

This year presented new opportunities to make a difference to membership and the community at large. Member value was enhanced with rising deposit rates while also keeping fees, already the fewest and lowest among our peers, unchanged. An increase in value has been added to the CareFREE Plus Checking account by providing qualified accounts with the opportunity to earn higher dividends and receive discounts on loans. To qualify, members must select electronic statement delivery and have a monthly deposit of at least \$1,000. Loan rates remained highly competitive.

Our ninth annual Pima Federal Golf Classic was held on May 5, 2022. The tournament raised \$60,000, equally distributed to Literacy Connects, Greater Tucson Firefighter Foundation and Southern Arizona Law Enforcement Foundation. Since the tournament's inception, \$547,500 has been raised through the tournament.

Separately, over \$166,000 was given to various charities through donations and sponsorships in 2022. Additionally, Pima Federal employees were given an opportunity to distribute \$11,500 to 18 different charities as a special year-end gift, further deepening our impact locally.

Beyond working directly with students in the classroom, Pima Federal provides exciting and valuable youth accounts and education scholarships. In 2022, we awarded a total of \$10,000 to five graduating seniors. The credit union's Youth Savings Account provides a financial reward for good grades and offers a high dividend rate on savings.

Pima Federal ended 2022 with solid Net Income of \$11.2 million, a Return on Total Assets of 1.15%, on Assets of \$1 Billion. The Capital Ratio increased year-over-year from 9.88% to 10.18%. Year-over-year, total assets grew 8.9%, demonstrating the faith and confidence the membership and community have in Pima Federal.

At year end, Pima Federal had 64,067 members, with 5,887 new members joining the cooperative throughout the year.

Pima Federal was recognized by our community as the Best Credit Union/Bank by Tucson.com/AZ Daily Star (Fourth consecutive year).

The Oro Valley Chamber of Commerce Awarded Pima Federal the Legacy Award for 2022, and the credit union once again received a 5-star rating from Bauer Financial.

The Board and Management Team are committed to efficiently delivering the credit union's products and services in a fiscally responsible manner. Operating expenses continue to grow while margin pressures on the balance sheet increase. Members continue to have a choice in how they receive their services, whether it's voice response, phone, branch, or our online/mobile channel, which continues to grow in popularity for its ease of use and convenience.

The following are notable achievements that continue to provide member value:

- ▶ Maintained the lowest and fewest fees among peers.
- ▶ Offer competitive loan and share/deposit rates.
- ▶ Increased capital levels given the growth in total assets.
- ▶ Diversified our loan portfolio by adding business and increasing home loans.
- ▶ Offered relevant consumer mobile and online banking features.

The Board of Directors, Supervisory Committee, Management Team, and all employees strive to provide you, our members, with service excellence at each interaction. The credit union exists because of you, and we remain committed to your success. We know you have many choices as a consumer, and we are thankful that you choose to be a member of Pima Federal Credit Union. ■



James Kisner
Chairman of the Board



Eric H. Renaud
President & CEO

Pima Federal National Day of Giving

On the National Day of Giving, each of our departments and branches donated \$500 to a local organization of their choice. We're excited to support the following organizations who focus on varying causes within our community:



(Left) Representatives from Literacy Connects, the Southern AZ Law Enforcement Foundation, and Greater Tucson Fire Foundation came together for the 9th Annual Golf Classic to thank guests for their support of their noble missions. (Right) Golf Classic staff volunteers were proud to put on another successful tournament, raising \$60,000.



Treasurer's Report

The financial strength of your member-owned financial cooperative continues to improve year after year. The following statistics comparing the year 2021 with 2022 illustrate this point:

1. Total assets increased by \$83.2 million to a total of \$1.02 billion. This is an 8.92% increase.
2. Total deposits increased by \$50.4 million to a total of \$887.7 million. This is a 6.02% increase.
3. Loan balances grew by \$128 million to a total of \$690.1 million. This is a 22.77% increase. Loans granted in 2022 included \$74.1 million in mortgages and home equity loans; \$76.7 million in business loans; \$76.9 million in vehicle loans; and \$28.6 million in credit cards.
4. The loan to share ratio increased from 67.13% to 77.74%. This means that for every dollar on deposit, the credit union has loaned out 77.74 cents. The surplus funds are invested in low-risk investments.

5. Capital, a measure of our financial strength and as defined by our regulator, NCUA, grew by \$11.2 million and continues at a strong 10.18% of assets.
6. Net income was \$11.2 million, a return on asset ratio of 1.16%. This compares to a 2021 return on asset ratio of 1.54%, both very strong ratios.

Pima Federal Credit Union continues to be financially strong and will continue to offer competitive products and services to our membership. As always, the credit union continues to be a steadfast provider and resource for its members.

Thank you very much for allowing me to be a part of this progressive organization. ■

James Knoff, *Board Treasurer*

Asset & Liability Committee Report

The Board Asset and Liability Committee (ALCO) is chaired by the Board Treasurer. The committee members include board members selected by the Board Chair, the President/CEO, SVP/Chief Credit Officer, SVP Chief Retail Officer, SVP/Chief Administrative Officer, and SVP/Chief Financial Officer with support from the Accounting/Finance team. Asset Liability Management (ALM) is about understanding balance sheet structure and behavior, finding a balance between the structure and composition of shares (deposits) and structure and composition of loans and investments. The primary objective of this committee is to oversee the implementation of an effective process for managing interest rate risk, liquidity risk, capital risk, and credit risk inherent in the credit union's balance sheet. ALCO manages the use of assets and cash flow to ensure adequate profitability and liquidity to meet obligations. This committee is tasked with developing strategies and tactics for loans and investments (assets), and share deposits

and borrowings (liabilities), while considering changes in interest rates, economic trends, market demands, and regulations.

The Board ALCO is committed to ensuring that the credit union maintains sufficient capital levels, while providing value to the membership. As we have experienced increasing interest rates, the committee carefully considered different strategies that allowed the credit union to be responsive to interest rate movements, seeking to ultimately enhance member value. The committee actively monitors growth, interest rate risk, asset mix/quality, liquidity, regulatory requirements, and dividend policies.

The Board ALCO committee is pleased to report that Pima Federal continues to operate with very strong capital and liquidity position, with earnings sufficient to support growth in assets. ■

James Knoff, *Chair*

Supervisory Committee Report

The Supervisory Committee is an independent committee that has five volunteer members and one alternate. This committee is comprised of the Pima Federal member appointed by the Board of Directors. The Supervisory Committee is the credit union's audit committee. It is responsible for ensuring that the financial records are in order and that internal controls are in place to protect the assets of the credit union and its owner members. The committee also determines whether all Board-approved policies and procedures are being adhered to and Pima Federal Credit Union is operating in a fiscally responsible manner.

To fulfill its responsibilities, the Supervisory Committee:

- ▶ Engaged the services of CPA firm Nearman Maynard Vallez (NMV) to perform the annual Financial Audit and the bi-annual Verification of Member Accounts.
- ▶ Engaged the services of CPA firm of Clifton Larson Allen LLP (CLA) to perform quarterly internal audits and other oversight activities and regulatory compliance audits.
- ▶ Engaged the services of CPA firm Mansperger Patterson McMullin PLC (MPM) to perform regulatory compliance audits.

- ▶ Engaged CU Business Group (CUBG) to review commercial loans and operations. Along with other Audit firms to perform other oversight activities and regulatory compliance reviews.
- ▶ Developed an annual internal audit plan working with the Compliance Department, and obtaining input from the audit firms, the Board of Directors and Management.

In summary, based on the various reports of public accounting firms, regulatory examinations, internal reviews, meetings with credit union's management and members of the Compliance Department, we believe the credit union is performing appropriately to sustain a safe and secure future. It is well managed with a strong commitment to serving the membership.

I wish to thank the Board of Directors, Management and Employees for their dedication to protecting member assets and operating with integrity and sound business practices. I also want to thank our member owners for their trust in Pima Federal Credit Union. ■

Victor Thornton, *Chair*

2022 Pima Federal Education Award Recipients



Portia Cooper



Rosie Geisler



Jessica Madrid



Andrew Pegnam



Addison Sanora

2022 Balance Sheet

	December 31, 2022	December 31, 2021	December 31, 2020
ASSETS			
Loans to Members	\$691,936,958	\$564,251,415	\$470,856,052
Less: Allowance for Loan Losses	4,204,618	3,161,573	4,599,496
Net Loans Outstanding	687,732,340	561,089,842	466,256,556
Cash and Investments	251,708,657	294,804,649	241,769,552
Land and Buildings & Furniture and Equipment	19,292,771	19,014,777	18,925,809
NCUSIF Deposit	8,459,417	7,549,452	5,918,936
All Other Assets	48,921,646	50,470,342	33,747,859
Total Assets	\$1,016,114,830	\$932,929,062	\$766,618,712
LIABILITIES			
Total Member Shares/Deposits	887,739,187	837,365,977	682,679,013
Notes Payable	41,000,000	-	-
Accounts Payable and Other Liabilities	10,234,867	6,985,450	5,644,803
Total Liabilities	\$938,974,054	\$844,351,427	\$688,323,816
CAPITAL			
Undivided Earnings and Regular Reserves	103,419,845	92,252,453	79,041,669
Other Comprehensive Income & Investment Market Valuation	(26,279,069)	(3,674,819)	(746,774)
Total Capital	\$77,140,776	\$88,577,635	\$78,294,896
Total Liabilities and Equity	\$1,016,114,830	\$932,929,062	\$766,618,712

2022 Income Statement

	December 31, 2022	December 31, 2021	December 31, 2020
Interest on Loans	\$24,960,730	\$21,519,754	\$21,042,137
Interest on Investments	3,353,013	2,855,392	2,880,693
Total Interest Income	28,313,743	24,375,146	23,922,829
Dividend Expense	2,677,907	1,704,414	2,250,591
Funds Purchased	250,061	355	1,118
Total Interest Expense	2,927,968	1,704,769	2,251,709
Net Interest Income	25,385,775	22,670,377	21,671,121
Provision for Loan Loss	2,717,165	-260,023	3,459,654
Net Interest Income after Provision	22,668,610	22,930,400	18,211,467
Fee & Other Income	13,322,091	11,434,781	10,056,103
Operating Expense	24,823,309	21,154,396	19,644,428
Net Income	\$11,167,392	\$13,210,784	\$8,623,142



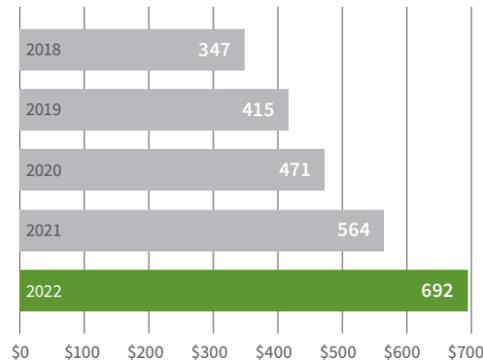
The Great
AUTO LOAN GIVEBACK Congratulations!



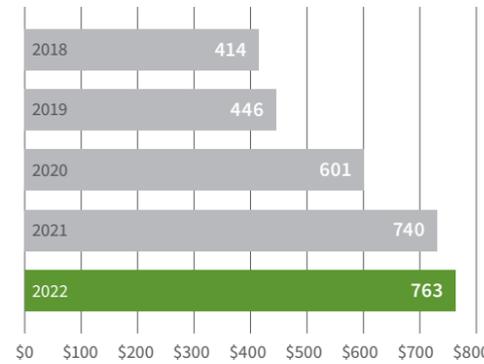
The six lucky winners from our award-winning campaign, *The Great Auto Loan Giveback*, from late 2022.

5-Year Financial Trends

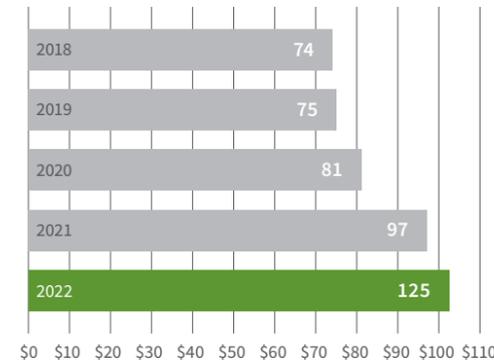
Total Loans in Millions



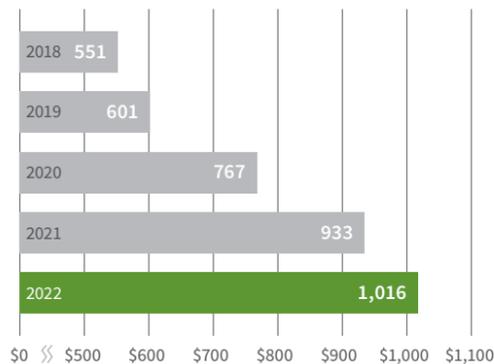
Total Shares in Millions



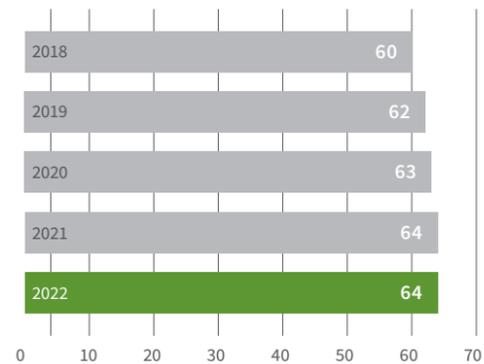
Term Share Certificates in Millions



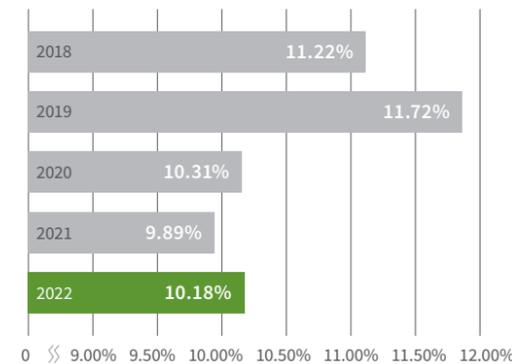
Total Assets in Millions



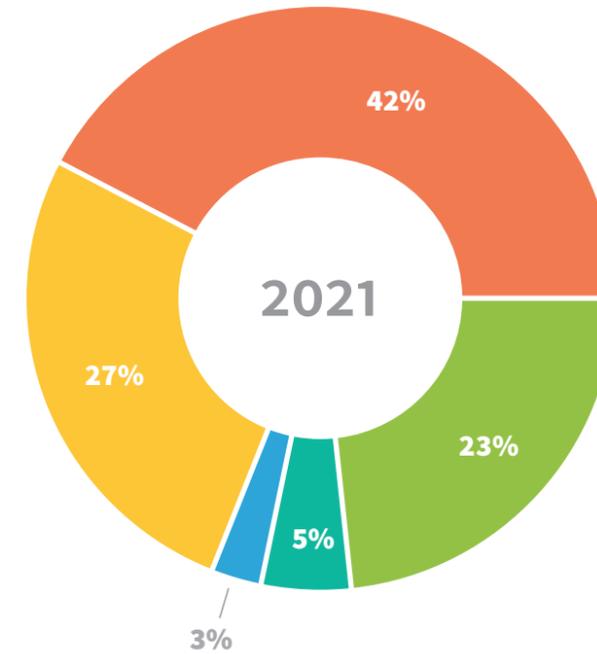
Number of Members in Thousands



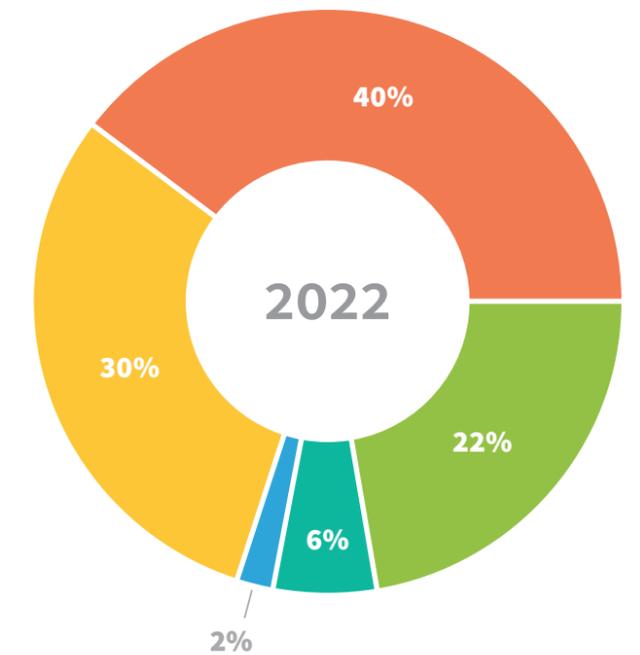
Capital Ratio in Percentage



Loan Composition



\$564MM
Total Loans



\$692MM
Total Loans

KEY

- Residential Loans & Home Equity
- Vehicle
- Consumer Unsecured
- Member Business Lending
- Other Secured

LOCATIONS

Stone

3730 N. Stone Ave., Tucson, AZ 85705

Thornsdale

6510 N. Thornsdale Rd., Tucson, AZ 85741

Valencia

2455 E. Valencia Rd., Tucson, AZ 85706

Pantano

231 N. Pantano Rd., Tucson, AZ 85710

Silverlake

1177 W. Silverlake Rd., Tucson, AZ 85713

Steam Pump

11025 N. Oracle Rd., Oro Valley, AZ 85737

Sahuarita

18767 S. Nogales Hwy, Suite 115, Green Valley, AZ 85614

Springerville

830 E. Main St., Suite 170, Springerville, AZ 85938

CONTACT US

520.887.5010

pimafederal.org

@pimafederal on  

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