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PRESIDENT'S REPORT

City Federal Credit Union

ANNOUNCING THE SOUTH SONCY BRANCH: Even before I review our financial results in this report, I want to announce that we are to begin construction on our new branch at 81st and Soncy. This is the only credit union branch of any credit union on Soncy Road. It will serve our members on the west side of town and provide convenient, new membership opportunities for persons living in the Heritage Hills subdivision on Heritage Hills Parkway.

Our planned new branch is the credit union's first expansion in our history. The branch has two purposes. The first is to provide a geographically different location than our downtown branch to increase member convenience. The second is to offer the experience of being a credit union member to others in the Amarillo community. We are planning on opening late fall 2020 depending on the construction results.

RECORD RESULTS AGAIN: I am pleased to report that City FCU has just achieved the most successful year in its history. We accomplished many objectives and set new milestones in 2019. We recognized record net income of \$411,000 and increased our capital to \$4.2 million. We continued to invest in safety and soundness. Our Lending operations resulted in 1,000 loans for \$7 million dollars for our members in 2019. **We continue to increase and provide additional services and lending opportunities to underserved members.**

The credit union is committed to building on these strengths. We are now positioned to look forward and build our business and serve additional members in 2020.

REMEMBER US: Your credit union can serve all your financial needs at a lower cost and more convenience than any other financial institution in town. And it is YOUR credit union. As a member you are an owner. Let's share the community of City FCU with our friends and families.

AND THANK YOU: The future for City Federal Credit Union is brighter than ever. The exciting growth opportunities, our deeper relationships in the community, and the potential to serve is a privilege. We value the daily exchanges that we have with our members. We know you have many choices in choosing where to obtain financial services. We thank you for choosing us and allowing us to be part of your family.

With an honor to serve,
Frank Frazzitta
Chief Executive Officer

MISSION STATEMENT

“City Federal Credit Union is committed to exceed our members expectations to meet their *financial happiness*, while providing a *heartfelt and long-lasting relationship.*”

CORE VALUES

- Service-driven
- Relationship-Focused
- Integrity
- Member Delighted
- Innovative
- Accountability
- Entrepreneurial
- Enjoyable Atmosphere



CITY FEDERAL
C R E D I T U N I O N

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BOARD OF DIRECTORS REPORT

It has been an honor to serve as Chairman of the Board of Directors this year. The credit union supports the financial needs for our 3,000 members. The Board is responsible for oversight and direction of the Credit Union. Our continued success depends on the Leadership Team of CEO Frank Frazzitta and his staff for their operational, regulatory, and financial results. The Board is pleased with the results and future oriented direction of City Federal Credit Union under the leadership of CEO Frazzitta.

I am pleased to report that 2019 continued our five-year history of positive operating and financial growth. The credit union is larger and financially stronger than any time in our history. The credit union funded over \$7,000,000 through more than 1,000 loans. Net income also achieved a historical high of \$411,029. Credit union operating results and procedures were again rated highly by independent examiners during our annual audit. City Federal compares favorably with other banks and credit unions both large and small. Membership growth remains less robust than we would like.

Our new planned branch is currently being constructed on South Soncy. This location will attract new members as well as provide additional services and convenience to existing members.

We continue our sponsorship of the Sod Poodles in 2020. We are exceptionally pleased that this relationship will allow us to deepen our support of the West Texas Youth Baseball League. We hope that our actions and that of the entire Amarillo credit union community will result in more youth baseball opportunities through scholarship awards.

The Board remains very optimistic about the future of City Federal Credit Union. We thank you, our members, for your trust and support as we move forward. We know you have many options for your financial services and are honored you have chosen us.

The Board wishes to express its appreciation to the staff of City Federal. The success of the past year would not have been possible without their hard work and dedication. The Board would like to recognize the Supervisory Committee for their oversight efforts. The members of the Committee volunteer many hours annually to provide oversight, helping to ensure the integrity and security of credit union operations.

Respectfully submitted,
Matthew Langford, Chairman

SUPERVISORY COMMITTEE REPORT

CITY FEDERAL CREDIT UNION

The Supervisory Committee is responsible for various audits and related activities as prescribed by the National Credit Union Administration regulatory agency. We follow an approved Plan of Action as our guideline for procedures to be performed during monthly meetings and at various times throughout the year. Every few months a committee member attends a board meeting to ensure we are all working towards the same goals. We learn accepted policies and procedures by viewing educational webinars or by attending other training as available. Loan documentation is routinely assessed, new and closed accounts are confirmed, cash counts are performed on a random basis, dormant account activity and other reports are reviewed.

The committee has contracted with Waypoint Advisory Services to perform some of the procedures requiring more in-depth audit knowledge such as reviewing staff and officials' accounts, doing test balances of the general ledger, and validating bank statement reconciliations.

When Credit Union officials and staff perform various mandatory actions during the year such as the ACH audit and the Disaster Recovery Test, the Committee receives the reports and reviews them for adequacy. A Bank Secrecy Act Audit is performed annually. A verification of all Credit Union accounts is conducted every two years; the last one was performed September 2018 with no negative responses.

Based on audit requirements and standards for credit unions set forth by National Credit Union Administration (NCUA) Rules and Regulations, Waypoint Advisory Services performed a comprehensive review in December of 2019. NCUA Federal Examiners did an examination in April of 2019. In the reports provided to the Supervisory Committee by these agencies, both expressed confidence in the performance of the credit union and its staff. No major exceptions were noted in either case.

I am excited about the growth and modernization within the institution and am pleased to see the services offered to our members continue to improve. I appreciate the opportunity to work with such a supportive and committed group of officers, staff and committee members.

Glenn Lavender

Glenn Lavender
Chairperson

STATEMENT OF FINANCIAL CONDITION

YEAR ENDED DECEMBER 31, 2019

ASSETS	2019	2018
CASH AND EQUIVALENTS	\$3,608,621	\$2,604,446
INVESTMENTS	\$297,921	\$271,519
LOANS	\$42,778,202	\$31,107,392
LESS ALLOWANCE FOR LOAN LOSSES	<u>\$268,399</u>	<u>\$203,825</u>
NET LOANS OUTSTANDING	\$42,509,803	\$30,903,567
FIXED ASSETS	\$1,429,075	\$409,648
ACCRUED INTEREST	\$253,578	\$175,724
OTHER ASSETS	<u>\$422,815</u>	<u>\$309,000</u>
TOTAL ASSETS	<u><u>\$48,521,813</u></u>	<u><u>\$35,673,904</u></u>
LIABILITIES		
ACCOUNTS PAYABLE & ACCRUED EXPENSES	\$365,011	\$396,930
SHARE DEPOSITS	\$19,007,152	\$18,917,533
SHARE DRAFT (CHECKING) ACCOUNTS	\$5,152,580	\$5,009,906
TERM SHARE CERTIFICATES	\$16,207,493	\$1,629,881
INDIVIDUAL RETIREMENT ACCOUNTS	\$2,078,927	\$2,231,032
NON-MEMBER SHARE CERTIFICATES	\$1,494,000	\$3,986,000
TOTAL LIABILITIES	<u><u>\$44,305,163</u></u>	<u><u>\$31,868,282</u></u>
MEMBERS EQUITY		
REGULAR RESERVES (STATUTORY REQUIREMENT)	\$640,292	\$640,292
OTHER RESERVES		
UNDIVIDED EARNINGS	\$3,165,330	\$2,764,330
NET INCOME (LOSS)	<u>\$411,029</u>	<u>\$401,000</u>
TOTAL MEMBERS EQUITY	<u>\$4,216,651</u>	<u>\$3,805,622</u>
TOTAL LIABILITIES & MEMBERS EQUITY	<u><u>\$48,521,814</u></u>	<u><u>\$35,673,904</u></u>

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2019

INCOME	2019	2018
INTEREST ON LOANS	\$2,037,860	\$1,684,787
INCOME FROM INVESTMENTS	\$35,782	\$25,385
FEE INCOME	\$278,211	\$262,465
OTHER OPERATING INCOME	\$6,255	\$21,635
NON-OPERATING INCOME	\$0	\$0
TOTAL INCOME	<u>\$2,358,108</u>	<u>\$1,994,272</u>
EXPENSES		
COMPENSATION & BENEFITS	\$734,954	\$642,648
OFFICE OCCUPANCY	\$59,527	\$51,783
OFFICE OPERATIONS	\$199,116	\$194,213
OTHER EXPENSE	\$385,656	\$316,677
PROVISION FOR LOAN LOSSES	\$314,958	\$285,136
TOTAL EXPENSES	<u>\$1,694,211</u>	<u>\$1,490,457</u>
NET INCOME BEFORE DIVIDENDS	\$663,897	\$503,815
DIVIDENDS	<u>-\$295,600</u>	<u>-\$153,405</u>
GAIN OR LOSS ON ASSETS	-\$42,732	-\$50,590
NET INCOME	<u><u>\$411,029</u></u>	<u><u>\$401,000</u></u>
KEY RATIOS		
NET WORTH/ASSETS	8.69%	10.66%
RETURN ON AVERAGE ASSETS	0.98%	1.14%
OPERATING EXPENSE	2.84%	3.38%
LOANS/ASSETS	88.16%	87.20%
DELINQUENT LOANS/LOANS	1.93%	1.05%
NET CHARGEOFFS	0.59%	0.60%
ASSET GROWTH	36.01%	2.51%
MEMBERS	2,766	2,690
MEMBERSHIP GROWTH	2.83%	1.97%