



Celebrating 64 Years of Helping Others

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Pima Federal Credit Union

2015

ANNUAL REPORT

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SMART. SIMPLE. PERSONAL.

Our Common Purpose is

# HELPING OTHERS

accomplished by

Helping members achieve their financial hopes and dreams.

Improving the economic conditions of our communities.

Protecting the safety and soundness of our member-owned assets.

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# The Board OF DIRECTORS



Mr. James Kisner,  
Board Chairman



Mr. David Bosman,  
Vice Chairman



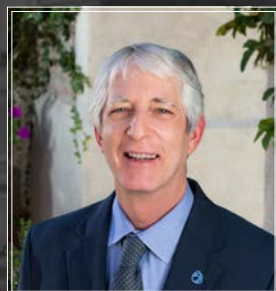
Mr. Pedro Nájera,  
Treasurer



Ms. Linda Kennedy,  
Secretary



Mr. James Knoff,  
Board Member



Mr. Tim Dunne,  
Board Member



Mr. David Finerson,  
Board Member

# The MANAGEMENT

**President/Chief Executive Officer**  
Mr. Eric Renaud

**Executive Assistant**  
Ms. Georgina Beattie

**SVP/Chief Operations Officer**  
Mr. Gary Angeles

**SVP/Chief Retail Officer**  
Mr. Bruce Baca

**SVP/Chief Lending Officer**  
Ms. Cindy Campano

**Vice President of IT**  
Mr. Robert Dutcher

**Vice President of Human Resources**  
Ms. Angi Griffin

**Vice President of Retail Support & Development**  
Ms. Tricia Norman

**Vice President of Consumer Lending**  
Mr. Danny Smith

**Vice President of Risk Management**  
Ms. Laura Ward

**Controller**  
Mr. Antonio Dias

**Director of Retail Efficiencies**  
Ms. Celyna Cervantes

**Director of Marketing**  
Mr. Bill Davidson

**Director Consumer Loan Services**  
Mr. Edward Frasquillo

**Director of Payment Services**  
Ms. Leah Friedenberg

**Director of IT**  
Mr. Mason Glockner

**Director of Collection and Recovery**  
Mr. Ramon Gonzalez

**Director of Human Resources**  
Ms. Sarah Holt

**Director of Home Loans**  
Ms. Jolene Jampsa

**Director of Call Center**  
Mr. Angel Montenegro

**Director of Facilities**  
Mr. David Motz

**Director of Consumer Underwriting & eLending**  
Ms. Jennifer Overpeck

**Director of Risk Management**  
Mr. Jose Saldamando

**Director of Lending Systems Support**  
Ms. Mary Ellen Schuck

**Director of Home Loan Originations**  
Mr. Adam Stewart

**Silverlake Financial Center Manager**  
Ms. Mary Callens

**Valencia Financial Center Manager**  
Mr. Raul Fisher

**Springerville Financial Center Manager**  
Ms. Linda Harkins

**Thornycastle Financial Center Manager**  
Ms. Iris Louis

**Steam Pump Financial Center Manager**  
Ms. Lynda Mahoney

**Pantano Financial Center Manager**  
Ms. Nancy Newell

**Stone Financial Center Manager**  
Ms. Beatriz Vidal

# The COMMITTEES

**Supervisory Committee**

Mr. Victor Thornton, Chair  
Ms. Linda Dhaemers (Alternate)  
Mr. David Finerson  
Mr. Michael Klinicki  
Mr. Ron Parker  
Mr. Harold Semrock

**Credit Review Committee**

Ms. Linda Kennedy, Chair  
Ms. Cindy Campano  
Mr. John Davis  
Mr. Ramon Gonzalez  
Mr. Rudy Ingersoll  
Mr. Eric Renaud  
Mr. Danny Smith  
Ms. Laura Ward

**Loan Review Committee**

Mr. Harold Semrock, Chair  
Ms. Cindy Campano  
Mr. James Kisner  
Mr. Danny Smith



# 2015 ANNUAL MEETING MINUTES

Mr. Eric Renaud, Executive Vice President and CFO, began the April 28, 2015, Pima Federal Credit Union Annual Meeting at 6:10 p.m. There were 279 members and guests in attendance. He introduced the Board of Directors, Supervisory Committee, Credit Review Committee, and Loan Review Committee. He recognized special guests to include the credit union's founder, Mr. Dick Evans and his wife Jane Evans, and Mr. Jim Knoff, the former retired CEO of Pima Federal Credit Union. He presented 10-year anniversary awards to Mr. Victor Thornton, Supervisory Committee Chair, and to Mr. John Davis, Credit Review Committee Member.

Mr. James Kisner, Chairman, officially opened the 2015 business meeting at 6:30 p.m. He thanked everyone in attendance for choosing Pima Federal and he recognized the committee volunteers. He acknowledged that the credit union staff continues to volunteer their time out in the community at many different organizations including schools. He then introduced Mr. Nathanael Tarwasokono, President and CEO.

Mr. Tarwasokono thanked the staff at the Marriott, the Annual Meeting Committee, and volunteers for working together on another great event. He spoke about the credit union's history, its nine mergers, and how the common purpose of helping others remains the same. Mr. Tarwasokono then presented highlights from 2014 that included 1,730 net new accounts, 15.5% loan growth, and 5.25% share growth. He reported that the credit union remains strong with a five-star rating from Bauer Financial for 35 consecutive quarters and that the 5-year financial trend shows long term success and not short term gain. He presented photos of the Silverlake Financial Center remodel and gave a quick lesson on how to use Mobile Deposit; both projects

were completed in 2014. He reported that the Member Survey response rate was at 700 and the net promoter score came in at 60%. Member survey results continue to get better year after year. Mr. Tarwasokono ended his report by reiterating the credit union's Value Promise of (1) Smart, competitive rates, reasonable fees, accessibility nationwide; (2) Simple, improved processes; (3) Personal, relevant solutions that will help our members. He then turned the meeting back over to the Chairman of the Board.

Mr. Kisner, Chairman, asked for a motion to approve the 2014 Annual Meeting minutes as printed. A motion was made by Mr. David Bosman, seconded by Mr. Dave Finerson, and the motion carried. Mr. Kisner then introduced Mr. Pedro Nájera, Board Treasurer.

Mr. Nájera reported that the credit union had another successful year and that Mr. Renaud would be providing an overview of the Treasurer's Report. Mr. Renaud noted that the credit union achieved a record \$438.6 million in total assets. The loan portfolio grew just over \$30 million. Reported earnings are \$3.3 million, with a return on assets of .78%, with a year-end capital ratio of 10.18%. He reported that the credit union remains strong financially, and maintains sufficient earnings to support continued growth and increased demand for services required by the membership. As demonstrated by historical and present financial strength, the credit union stands strong, and is poised to continue to meet the financial service needs of the cooperative.

The Chairman introduced Ms. Linda Kennedy, Credit Review Committee Chair. Ms. Kennedy reported that delinquency and charge-offs continue to remain low and at year-end the delinquency ratio was at a quarter of a percent and the net charge-off ratio was less than a percent. She recognized the Credit team led by Mr. Ramon Gonzalez for their continued commitment to the

credit union and to helping members.

Next, the Chairman introduced Mr. Victor Thornton, Supervisory Committee Chair. Mr. Thornton reported that CPA firm Nearman, Maynard, Vallez completed the annual financial audit and issued another Unmodified Opinion. All audits completed in 2014 disclosed no material violation of law or any unsound business practices. He thanked the Board of Directors and management for their continued support and cooperation.

The Chairman introduced Mr. Harold Semrock, Chairman of the Loan Review Committee and he stated that the Loan Review Committee Report is printed on page 11 of the 2014 Annual Report.

The Chairman then requested approval of the annual report. A motion was made by Mr. Dave Finerson to approve the annual report as printed. Mr. Victor Rodriguez seconded the motion and the motion carried.

Mr. Dave Finerson, Nominating Committee Chair, was introduced to announce the results of the 2015 elections. Mr. Finerson stated that Mr. James Kisner and Mr. David Bosman were both re-elected to the Board by acclamation to a three year term. The meeting was then turned back to the Board Chair.

Being no new business or further discussion, the meeting adjourned at 6:55 p.m.

Mr. James Kisner, Board Chairman

Ms. Linda Kennedy, Secretary

Ms. Georgina Beattie, Recording Secretary



Pima Federal was a proud sponsor of the Girl Scouts of Southern Arizona's Thin Mint Sprint. The event supported the organization's efforts to provide programs to build girls of courage, confidence, and character, who make the world a better place. Participants enjoyed decorating their very own Pima Federal piggy bank!



# A message FROM OUR CHAIRMAN & CEO



Mr. James Kisner  
Chairman of the Board

Sixty-five years ago, sixteen teachers pooled together \$84 in deposits and founded a credit union with the common purpose of helping people. Pima Federal Credit Union retains a long history of providing member value as a financial cooperative chartered to provide thrift and credit to the communities it serves. The credit union's success is demonstrated through growth in membership, growth in assets under management, equity, and of course a strong brand and reputation in the communities served. Through the years, we have grown and become more sophisticated in the way we deliver services to our members; however, one constant remains — our commitment to helping our members and their families. It is our vision to be the credit union our community chooses first for their financial services, a credit union committed to helping others, one that inspires and enriches the lives of our members, our neighbors and the communities that we serve.

The credit union ended 2015 with \$466.1 million in assets; growth of \$27.5 million year-to-year. Member Shares (deposits) grew by \$20.8 million or 5.8% while loans grew by \$32.9 million or 14.6%. The credit union netted a profit of \$3.9 million, resulting in year-end capital of \$48.5 million and a healthy 10.4% capital ratio. With another strong financial performance, the credit union received a 5-star rating from Bauer Financial for all four quarters during the year. In addition, membership grew by 1,739 or 3.3%, resulting in 54,882 members at year-end.

We continue to invest in our infrastructure, having planned, approved and purchased land in Oro Valley for a future Financial Center to meet the growing needs in this vibrant and growing community. The new Financial Center, which will be located near Steam Pump Ranch will be open to serve the membership in the fall of 2016. In addition to our Home Loan Center, six financial centers (seven in 2016), each member is provided with access to over 55,000 fee-free ATMs and access to over 6,000 shared branches.

Pima Federal Credit Union is more than about earnings and strong capital, it is also about serving. Year-to-date, the credit

union has volunteered over 2,000 hours in the community, taught financial literacy to over 650 students and has donated \$199,000 to local charities. As a member-owned financial cooperative, Pima Federal is at its core all about giving back to the communities we serve. Not only are we proud about how many hours we serve, but are even more proud to know that 95% of our employees participate in giving back to the community. The 3rd annual Pima Federal Golf Classic alone raised \$45,000, with a match from Walgreens provided over \$90,000 of school supplies to local school districts, facilitated by our partnership with Tucson Values Teachers. Our commitment to our members and communities continues to grow, making a tangible impact.

In conclusion, I wish to remind you that it is our mission to; first, help our members achieve their financial hopes and dreams; second, improve the economic condition of our communities, and third, ensure the safety and soundness of member-owned assets.

On behalf of our entire organization, we are grateful to our Board of Directors and Committee Members for their continued dedication to the credit union. As members, you elect these individuals to represent your best interest, and they continue to fulfill this critical duty for your financial cooperative.

Your credit union's strength is drawn on active participation and engagement from all members, please let us be your first choice for your financial solutions, together making our credit union even stronger. The Board of Directors and Management Team and all employees are dedicated to providing you, our members, with service excellence at each and every interaction.

At the end of the day, we exist 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.



Eric H. Renaud  
President & Chief Executive Officer



# Treasurer's REPORT

Financially, Pima Federal Credit Union had another great year in 2015 that continued to build on the foundation established in 1951. Total assets increased by \$27.5 million or 6.3% to a record \$466.1 million. Total deposits grew by \$20.8 million or 5.8% to a year-end balance of \$382.6 million, supported primarily in regular savings, checking and money market accounts. All types of deposits increased year over year with the exception of share IRAs which decreased 8% or \$1.9 million. Certificates of Deposit increased 2.2% or \$1 million after experiencing a continuous decline in prior years.

In 2015, the credit union met the lending needs for current and new members, as demonstrated by the growth in loans outstanding. Total loans at year-end reached a record \$258.6 million, a result of net loan growth of \$32.9 million or 14.6%. Loan quality remained high as demonstrated by the low year-end delinquency rate of .29% and year-to-date loan losses of .75%. The credit union finished the year with net income of \$3.9 million or .78% return-on-assets, resulting in a strong year-end capital ratio of 10.41%.

Similar to 2014, in 2015, the local and national economy steadily improved as demonstrated through an improving unemployment rate, home price appreciation, moderate inflation, and positive gross domestic product. Similar to the prior two years, an accommodative monetary policy by the Federal Reserve encouraged lower interest rates in the greater market, influencing low yields the credit union offered on deposits and loans. While this rate environment continued to have a negative impact on savers, it had a positive impact on borrowers, offering an opportunity to purchase homes and automobiles at low rates. The membership took advantage of low loan rates as evidenced by the credit union's growth in total

outstanding loan balances year-over-year. At the same time, due to loan growth and low loan losses, the credit union was able to improve earnings year-over-year. It's also worth noting that the credit union continues to enhance its lending solutions, and the 14.6% loan growth in 2015 reflected an increasing demand for these solutions.

As we enter 2016 and beyond, the credit union will carefully manage deposit and loan rates in a challenging rate environment to ensure interest margins are reasonable to support the asset growth and operations of the cooperative, to fulfill our value promise. Members can continue to receive full value of membership by utilizing the credit union for all financial solutions. This full utilization by the membership allows the credit union to mitigate the effects of a reduced margin while continuing to thrive in an ever-changing financial landscape.

Pima Federal Credit Union is financially strong and continues to offer competitively-priced financial solutions while maintaining a strong capital ratio and low delinquencies. Pima Federal is positioned to help our members achieve their financial hopes and dreams.

Sincerely,

Mr. Pedro Nájera, Treasurer

# Credit Review COMMITTEE REPORT



Supporting the Arizona Wildcats has become a tradition here at Pima Federal. This year, as the game day sponsor of the Blueout football game on November 14, 2015, blue pom-poms were distributed to fans to help cheer on our Cats! The excitement of this game continued up until the last second, as the Wildcats took the win against Utah in double overtime, with a final score of 37-30

The Credit Review Committee consists of three volunteers, five paid employees, and meets quarterly. Its primary purpose is to ensure an appropriate oversight of credit-related issues and the monitoring of loan programs are in place to manage the loan quality. The committee's ongoing responsibility and challenge is to balance the lending needs of the membership with the safety and soundness of the credit union's assets in an ever-changing economic environment. At a minimum, this includes reviewing allowance for loan losses, delinquency trends by product, credit tier, collateral, dealer management and underwriter performance. The committee also works with management to monitor economic trends and the potential impact to members.

At year-end 2015, the delinquency ratio was 0.29% and the year-to-date net charge-off ratio was .75%. Year-over-year, net charge-offs remain flat. Overall, delinquency and charge-offs continued to remain very low during the year, which was the result of consistently strong loan underwriting and effectively working with members as they encounter financial difficulties.

Sincerely,

Ms. Linda Kennedy, Chair

Mr. John Davis, Volunteer

Mr. Rudy Ingersoll, Volunteer

Mr. Eric Renaud, CEO/President

Ms. Cindy Campano, SVP/Chief Lending Officer

Mr. Danny Smith, VP Consumer Lending

Ms. Laura Ward, VP Risk Management

Mr. Ramon Gonzalez, Director of Credit



# Supervisory COMMITTEE REPORT

In accordance with the credit union's bylaws, the Supervisory Committee consists of five member volunteers. The committee's principal objectives are to perform, or to select a qualified firm to perform the annual financial audit, member account verification and periodic internal audits of operational areas throughout the year. In accordance with these objectives and as the credit union's oversight body, the committee ensures the organization is adhering to Board-established policies.

To fulfill our responsibilities, our committee meets monthly to review audit reports and management responses, to perform various audit functions, and to complete surprise cash counts of individual tellers and select financial centers.

The committee selected the CPA firm of Nearman Maynard Vallez (NMV) to complete (a) the annual Financial Audit and annual Verification Program and (b) the annual 401(K) and Pension Audits. The annual Financial Audit is a certified audit, the most thorough audit available.

The committee selected the CPA firm of Clifton Larson Allen (CLA) to provide the primary internal audit program for the credit union. Each year, the committee collaborates with management to create an audit plan for the upcoming year. In 2015, CLA completed numerous general control audits in the following areas: information technology, security assessment and social engineering, loan underwriting, loan post-closing activities, investments, cash handling, dormant accounts, home banking and bill pay, wire transfers, accounts payable, payroll and benefits, e-Services, collections, accounting, credit/debit card processing, and corporate credit cards. CLA also completed the following regulatory audits: Bank Secrecy Act (BSA) including Anti-Money Laundering (AML) and Office of

Foreign Assets Control (OFAC), National Automated Clearing House Association (NACHA), Fair and Accurate Credit Transactions Act (FACTA), and Secure and Fair Enforcement for Mortgage Licensing (SAFE) Act.

Related to governance and oversight, in 2015, Risk Management launched an anonymous ethics hotline to provide the credit union with a confidential avenue of reporting issues or concerns, if it is ever needed; and each month the Supervisory Committee receives a status report for added transparency.

I am pleased to report that NMV issued another Unmodified Opinion of Pima Federal Credit Union's financial records, the best report that can be assigned by a CPA firm. Additionally, all audits completed by NMV and CLA disclosed no material violations of law or unsound business practices. Both CPA firms report directly to the Supervisory Committee, which in turn reports to the Board of Directors.

On behalf of the Supervisory Committee, I want to thank the Board of Directors and Management for their support and cooperation throughout the year. I also want to thank our members for their trust in the credit union. 2015 was another very successful year for our organization, and we are looking forward to a great year in 2016.

Sincerely,  
Mr. Victor Thornton, Chair  
Ms. Linda Dhaemers (Alternate)  
Mr. David Finerson  
Mr. Michael Klinicki  
Mr. Ron Parker  
Mr. Harold Semrock

# Loan Review COMMITTEE REPORT

The Loan Review Committee consists of two volunteers and two paid employees. The committee's primary responsibility is to ensure an unbiased lending process is available for all members of the credit union in the event a member requests an appeal of a loan decision. The Committee meets to review loan application appeals submitted by management on behalf of the credit union's members. A member may, if desired, personally meet with the Loan Review Committee to discuss their loan appeal. This process of review assures members that loan requests will receive equitable and full consideration.

These two committees remain committed to helping

our members with their lending needs while also appropriately managing credit risk. This balance helps our credit union grow while maintaining safety and soundness of our member-owned assets. Thank you for your ongoing trust in the credit union.

Sincerely,  
Mr. Harold Semrock, Chair  
Mr. James Kisner, Board Chair  
Ms. Cindy Campano, SVP/Chief Lending Officer  
Mr. Danny Smith, VP Consumer Lending



The Walk to End Alzheimer's assists with the care, support and research efforts of the Alzheimer's Association. Pima Federal was happy to sponsor the walk on November 7, 2015, where several of our employees volunteered in a number of ways.



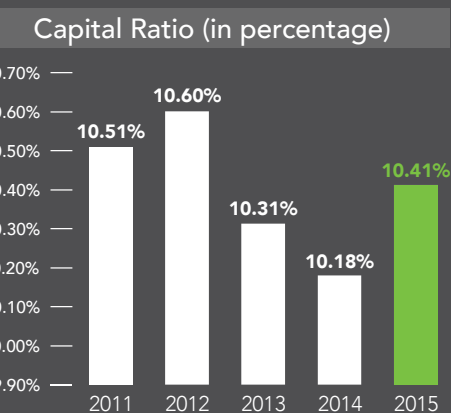
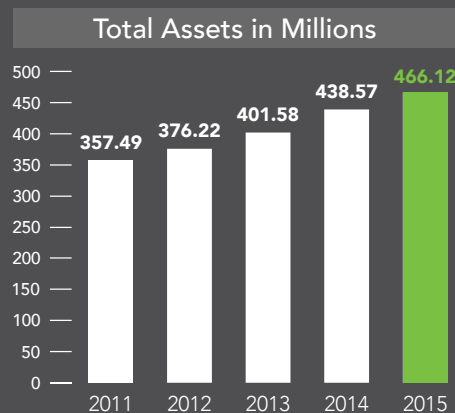
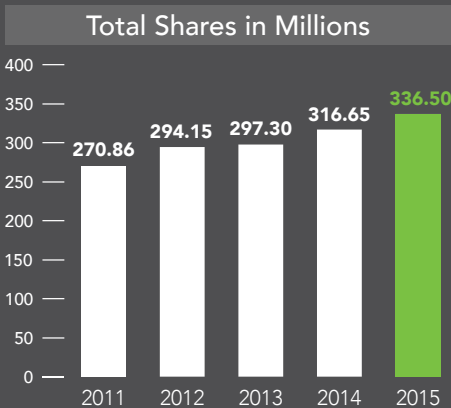
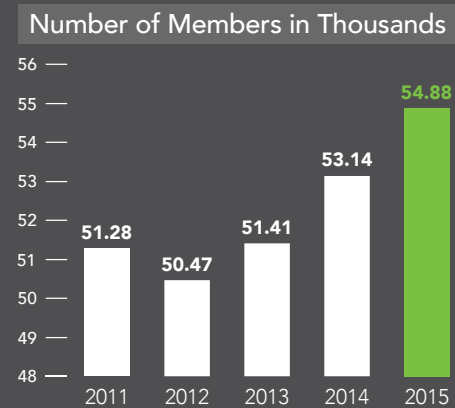
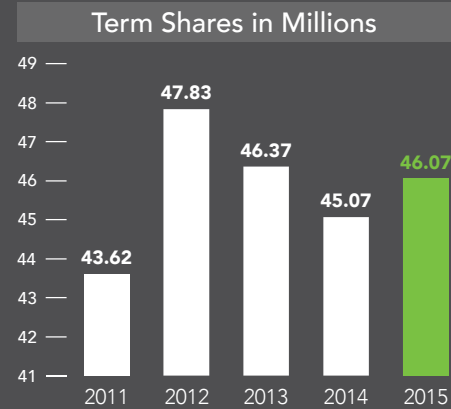
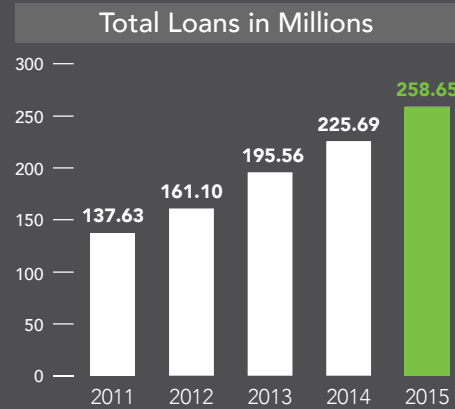
# 2015 BALANCE SHEET

	December 31, 2015	December 31, 2014	December 31, 2013
<b>ASSETS</b>			
Loans to Members	\$258,649,105	\$225,689,363	\$195,562,623
Less: Allowance for Loan Losses	2,558,175	2,553,796	2,358,299
Net Loans Outstanding	\$256,090,930	\$223,135,567	\$193,204,324
Cash & Cash Equivalents	12,831,734	14,522,053	4,828,857
Investments	150,129,307	156,550,319	180,512,817
Deposits in Corporate Credit Union/Banks	21,383,000	17,001,000	4,567,041
Land and Buildings	16,785,871	16,514,263	8,427,266
Furniture and Equipment	2,216,300	2,356,578	2,608,873
NCUSIF Deposit	3,739,231	3,559,021	3,449,829
All Other Assets	2,942,593	4,935,470	3,982,041
<b>Total Assets</b>	<b>\$466,118,966</b>	<b>\$438,574,271</b>	<b>\$401,581,047</b>
<b>LIABILITIES</b>			
Shares/Deposits	\$336,500,509	\$316,646,941	\$297,299,459
Certificates of Deposit	46,065,322	45,070,884	46,368,414
Total Member Shares/Deposits	382,565,831	361,717,825	343,667,873
Note Payable	32,500,000	29,650,000	17,900,000
Accounts Payable and Other Liabilities	5,194,299	4,499,334	3,994,122
Total Liabilities	\$420,260,130	\$395,867,160	\$365,561,995
<b>CAPITAL</b>			
Undivided Earnings & / Regular Reserves	\$48,536,189	\$44,669,668	\$41,413,971
Other Comprehensive Income	(2,395,792)	(2,537,019)	(2,100,588)
Investment Market Valuation	(281,561)	574,462	(3,294,331)
Total Capital	\$45,858,836	\$42,707,111	\$36,019,052
<b>Total Liabilities &amp; Equity</b>	<b>\$466,118,966</b>	<b>\$438,574,271</b>	<b>\$401,581,047</b>

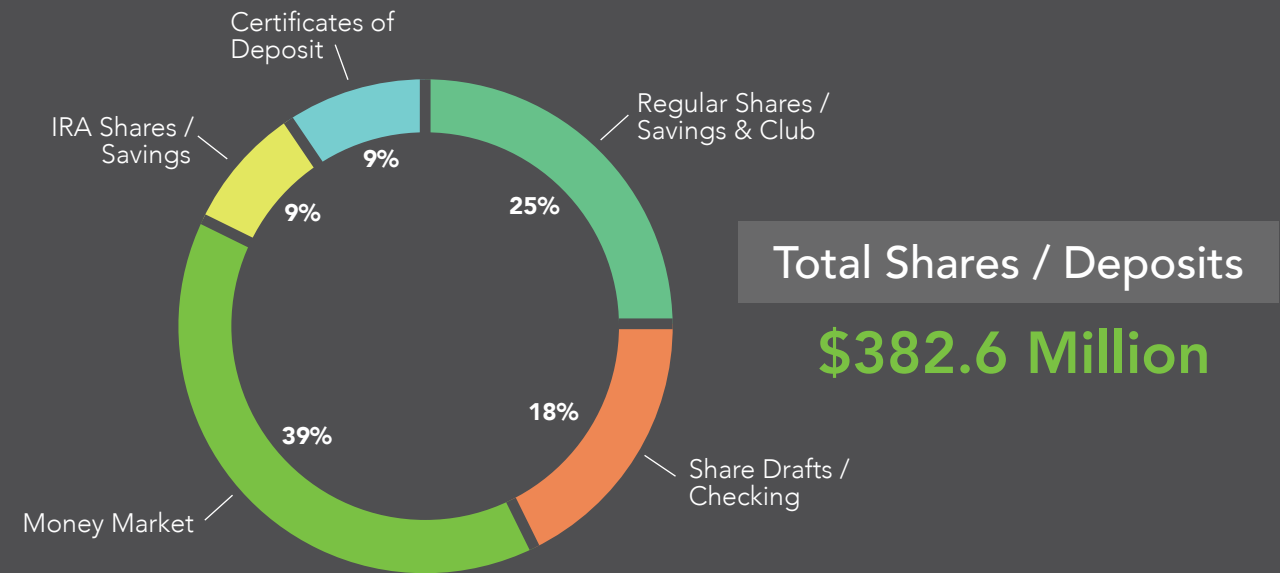
# 2015 INCOME STATEMENT

	2015	2014	2013
Interest on Loans	\$12,794,489	\$11,803,715	\$10,607,617
Interest on Investments	3,909,806	3,639,283	3,359,939
Total Interest Income	\$16,704,295	\$15,442,998	\$13,967,556
Dividend Expense	\$635,193	\$600,705	\$620,122
Funds Purchased	60,764	34,172	17,923
Total Interest Expense	\$695,957	\$634,877	\$638,045
Net Interest Income	\$16,008,338	\$14,808,121	\$13,329,510
Provision for Loan Loss	1,801,774	1,873,213	1,981,043
Net Interest Income after Prov	\$14,206,564	\$12,934,908	\$11,348,467
Share Fee Income	\$3,288,172	\$3,386,429	\$3,430,807
Loan Fee Income	638,342	559,472	480,637
Interchange Income	2,692,021	2,458,883	2,263,727
Income from Reimbursement	770,322	511,308	449,981
Other Misc Income	491,205	322,400	231,790
Other Gain/(Loss)	53,052	(211,779)	(82,401)
Total Non-Interest Income	\$7,933,114	\$7,026,713	\$6,774,541
Salary & Benefits	\$9,365,211	\$8,472,984	\$8,055,071
Travel & Conference	295,893	241,179	238,329
Occupancy	1,720,712	1,689,977	1,658,954
Office Operations	2,679,861	2,545,956	2,540,634
Marketing	622,740	614,164	570,644
Loan Expense	669,869	507,505	481,666
Professional & Outside	1,017,027	883,306	775,857
Member Service Operations	1,699,290	1,739,452	1,645,070
Other Misc Expense	202,554	11,402	350,741
Insurance Stabilization Expense	0	0	275,986
Total Non-Interest Expense	\$18,273,157	\$16,705,925	\$16,592,952
<b>Net Income</b>	<b>\$3,866,521</b>	<b>\$3,255,696</b>	<b>\$1,530,056</b>

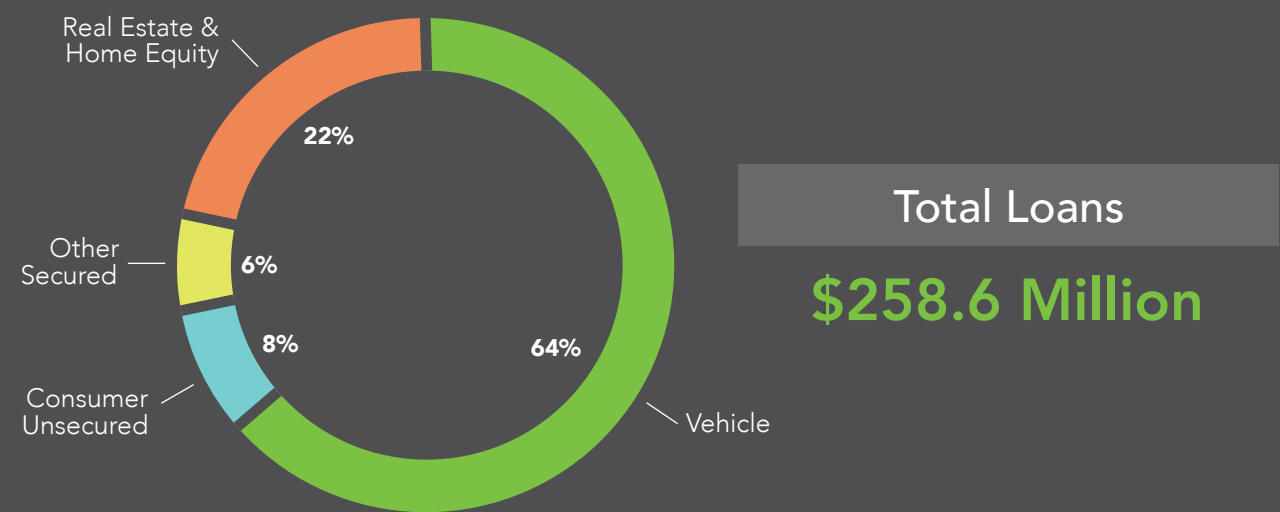
# 5 – Year FINANCIAL TRENDS



# Share COMPOSITION



# Loan COMPOSITION





Helping our  
**COMMUNITY**  
since  
**1951**



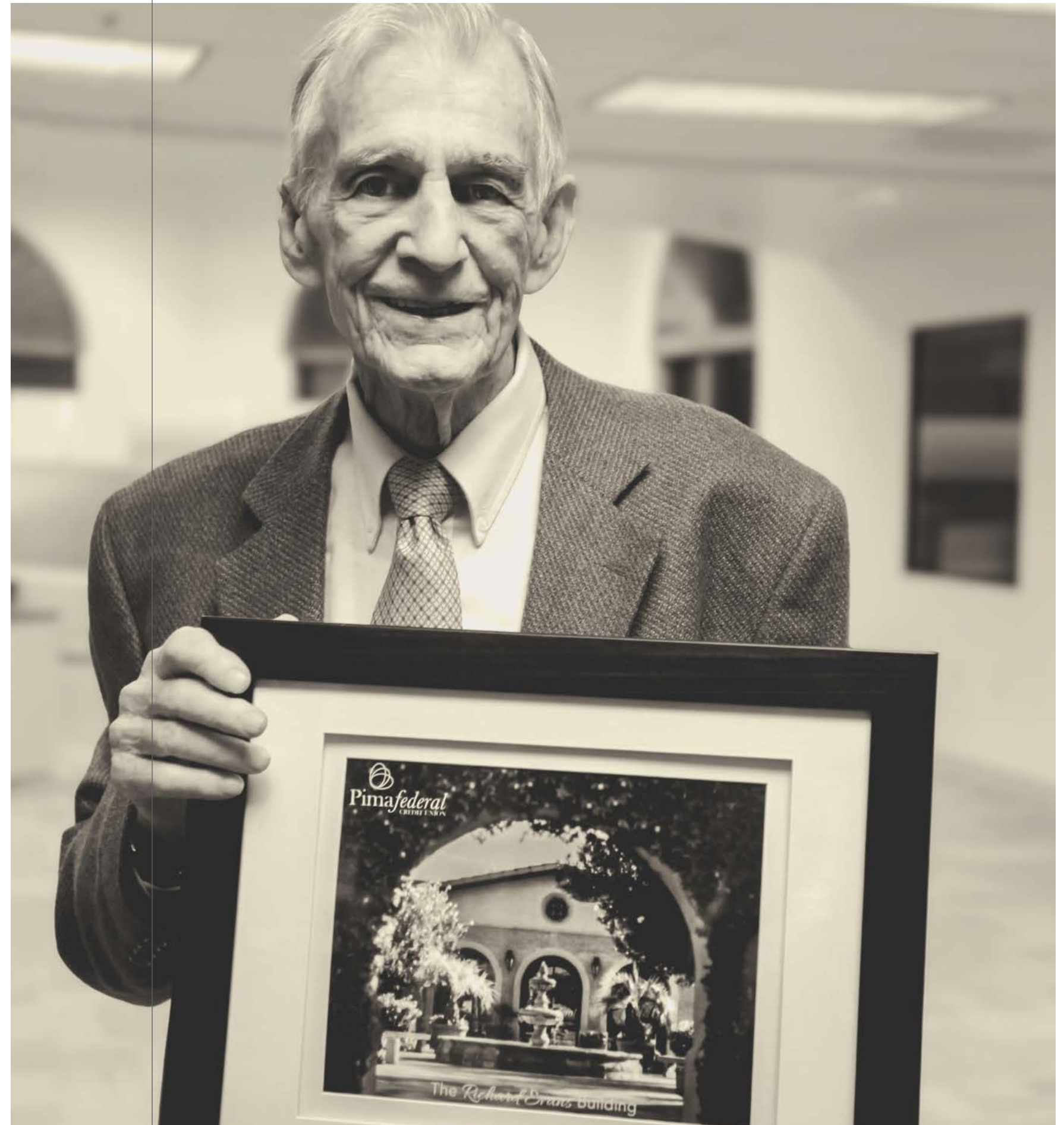
Smart. Simple. Personal.

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## **In Memory of Mr. Richard Evans**

*11th March 1924 – 8th March 2016*

Mr. Evans, with the help of his wife, Jane Evans, established Pima Federal Credit Union in 1951. His legacy of a life lived helping our community will forever be remembered.







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April 2016.