



2014 Annual Report

## Board of Directors

Mr. James Kisner, Board Chairman  
Mr. David Bosman, Vice Chairman  
Mr. Pedro Nájera, Treasurer  
Ms. Linda Kennedy, Secretary  
Mr. Tim Dunne  
Mr. David Finerson  
Mr. Victor Rodriguez

## Supervisory Committee

Mr. Victor Thornton, Chair  
Mr. David Finerson  
Mr. Michael Klinicki  
Mr. James Knoff  
Mr. Ron Parker

## Credit Review Committee

Ms. Linda Kennedy, Chair  
Mr. John Davis  
Mr. Rudy Ingersoll  
Mr. Ramon Gonzalez  
Mr. Eric Renaud

## Loan Review Committee

Mr. Harold Semrock, Chair  
Mr. James Kisner  
Ms. Cindy Campano  
Ms. Laura Henes

## Management Team

President/Chief Executive Officer: Mr. Nathanael Tarwasokono  
Executive Vice President/Chief Financial Officer: Mr. Eric Renaud  
Executive Assistant: Ms. Georgina Lopez  
Chief Operations Officer: Mr. Gary Angeles  
Chief Retail Officer: Mr. Bruce Baca  
Chief Lending Officer: Ms. Cindy Campano  
Vice President of Consumer Lending: Mr. Danny Smith  
Vice President of Risk Management: Ms. Laura Ward

Regional Financial Center Manager: Ms. Sarah Holt  
Regional Financial Center Manager: Ms. Tricia Norman  
Pantano Financial Center Manager: Ms. Celyna Cervantes  
Silverlake Financial Center Manager: Mr. Raul Fisher  
Valencia Financial Center Manager: Ms. Suzette Gonzalez  
Springerville Financial Center Manager: Ms. Linda Harkins  
Thornycdale Financial Center Manager: Ms. Lynda Mahoney  
Stone Financial Center Manager: Ms. Beatriz Vidal

Controller: Mr. Antonio Dias  
Director of Payment Services: Ms. Leah Friedenber  
Director of Credit: Mr. Ramon Gonzalez  
Director of Loan Systems Support: Ms. Laura Henes  
Director of Home Loans: Ms. Jolene Jampsa  
Director of E-Services: Mr. Angel Montenegro  
Director of Facilities: Mr. David Motz  
Director of Human Resources: Ms. Lauren Weaver

Value Promise: **Smart. Simple. Personal.**

Common Purpose: **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.



Pantano Financial Center

## Contents

2014 Annual Meeting Minutes	4-5
A Message from our Chairman and CEO	6-7
Treasurer's Report	8
Credit Review Committee Report	9
Supervisory Committee Report	10
Loan Review Committee Report	11
2014 Balance Sheet	12
2014 Income Statement	13
5-Year Financial Trends	14
Share & Loan Compositions	15



Silverlake Financial Center



Greeting our founder Dick Evans, his wife Jane and guest at the 2014 Annual Meeting.

## 2014 Annual Meeting Minutes

Mr. Nathanael Tarwasokono, President and CEO, began the April 29, 2014, Pima Federal Credit Union Annual Meeting at 6:10 p.m. There were 290 members and guests in attendance. After welcoming all in attendance, Mr. Tarwasokono introduced the Credit Union's founder, Mr. Dick Evans and his wife Jane. He then introduced the Credit Union's management team and volunteers, including the Board of Directors, Supervisory Committee, Credit Review Committee, and Loan Review Committee. He recognized Mr. Jim Knoff, the former retired CEO of Pima Federal, and Ms. Linda Dhaemers, the former retired CEO of Desert Energy. Mr. Tarwasokono also thanked the Annual Meeting Committee for their commitment to making the annual meeting another informative and enjoyable event for the members.

Mr. Tarwasokono presented highlights from 2013 that included 6,317 new member accounts, 21% loan growth, net income of over \$1.5 million, and a year-end capital ratio of 10.3%. He reported the Credit Union remains strong with a five-star rating from Bauer Financial, and he emphasized the continued commitment to the Credit Union's mission. He also discussed the Credit Union's new value promise of Smart. Simple. Personal. He ended his report by highlighting on the Credit Union's commitment to giving back to the community. In 2013, employees volunteered over 1,800 hours in the community and \$98,000 was donated back to the community. He then turned the meeting over to the Chairman of the Board.

Mr. James Kisner, Chairman, officially opened the 2014 business meeting at 6:20 p.m. The first order of business was the approval of the 2013 Annual Meeting minutes. A motion was made by Mr. David Bosman to approve the minutes as printed. Ms. Linda Kennedy seconded the motion and the motion carried. Mr. Kisner recognized the employees and volunteers for another great year. He then announced that a new financial center located at the Steam Pump Village in Oro Valley will break ground in 2015 and a major remodel of the Silverlake financial center will be completed in 2014.

Next, the Chairman introduced Mr. Pedro Nájera, Board Treasurer. Mr. Nájera reviewed the Treasurer's Report and highlighted on the Credit Union's financial successes in 2013. He

recognized the management team for their ongoing commitment to the members of the Credit Union. Mr. Nájera then introduced Mr. Eric Renaud, Chief Financial Officer. Mr. Renaud reviewed the Credit Union's financial results from 2013.

The Chairman then introduced Ms. Linda Kennedy, Chair of the Credit Review Committee. Ms. Kennedy reviewed the Credit Review Committee's Report and highlighted the low charge-offs and delinquencies in 2013. She then recognized the Credit Team led by Mr. Ramon Gonzalez.

Next, the Chairman introduced Mr. Victor Thornton, Supervisory Committee Chair. Mr. Thornton reviewed the Supervisory Committee's Report and briefly discussed the satisfactory results of audits completed in 2013. He also highlighted on the Credit Union receiving another Unmodified Opinion, the best possible report, from Nearman, Maynard, and Vallez in 2013.

Mr. Harold Semrock, Chairman of the Loan Review Committee, was introduced next by the Chairman. The Chairman stated that the Loan Review Committee's Report was included in the annual report.

After all reports were completed, the Chairman requested approval of the annual report. A motion was made by Mr. Pedro Nájera to approve the annual report as printed. Mr. Dave Finerson seconded the motion and the motion carried.

The Chairman then introduced Mr. Dave Bosman, Nominating Committee Chair, to announce the results of the 2014 elections. Mr. Bosman stated that Ms. Linda Kennedy and Mr. Victor Rodriguez were both re-elected by acclamation to 3-year terms. The meeting was then turned back to the Board Chair.

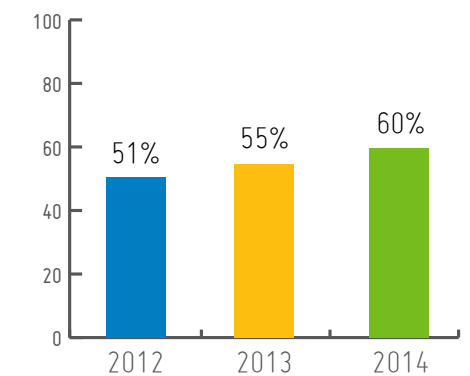
There was no new business. There being no further business, the meeting was adjourned at 6:53 p.m.

Mr. James Kisner, Board Chairman

Ms. Linda Kennedy, Secretary

Ms. Georgina Lopez, Recording Secretary

## Net Promoter Score



From the 2014 Member Survey (Measures how likely our members will recommend the Credit Union to others. As a comparison, top performers in our peer group across the nation received a 61% net promoter score.)



Pima Federal sponsored the whiteout football game at University of Arizona's stadium.



Springerville Financial Center

## A Message from our Chairman and CEO

Sixty-four years ago, sixteen teachers pooled together \$84 in deposits and founded a Credit Union with the common purpose of helping people. Over 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. To this day, our common purpose of helping people still exists.

In 2014, the Credit Union had a solid financial year. Deposits grew by \$18 million or 5% while loans grew by \$30 million or 15%. The Credit Union netted a profit of \$3.2 million, resulting in year-end capital of \$44.7 million and a healthy 10.2% 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 1,730 or 3%, resulting in 53,143 share accounts at year-end. Last year, we also enhanced convenience for our members with an added feature on our app that allows members to deposit a check with a camera phone. Lastly, we reinvested in our infrastructure and completed an extensive remodel of the Silverlake Financial Center.

Community outreach efforts reached an all-time high as our employees volunteered over 2,200 hours in the community and taught financial literacy to 952 students. The Credit Union also provided financial donations of almost \$90,000 to local organizations. The Pima Federal Golf Classic raised \$36,000 and with a match from Walgreens provided over \$72,000 of school supplies to local school districts through our partnership with Tucson Values Teachers. The Marana Chamber of Commerce recognized our community efforts and awarded our Credit Union with the Community and Business Builder of the Year Award. As noted above, our commitment to our members and communities has never been stronger.



5-star rating from  
Bauer Financial  
for 35 consecutive quarters

4-star rating from  
Bauer Financial  
for 98 consecutive quarters

Annually, we provide our members with a survey that lets us know how we are doing. In our most recent survey in 2014, the Credit Union received a 96% member satisfaction score, the highest score achieved since this survey was utilized in 2012. Our net promoter score, a measurement of how likely our members will recommend our Credit Union to others, increased to 60%. This was an improvement from 51% in 2012. As a comparison, top performers in our peer group across the nation received a 61% net promoter score. While acknowledging we have areas to improve upon, these increased scores indicate the Credit Union is heading in the right direction.

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. We express our whole-hearted thanks to our employees for living our shared values and delivering on our common purpose of helping others. And most importantly, we are thankful that you chose to be a member of Pima Federal Credit Union because at the end of the day, we exist because of you!

We wish you and your family the very best in 2015!

Mr. James Kisner, Chairman

Nathanael Tarwasokono, President/CEO



Accessibility with Apps

for iOS and Android

## Treasurer's Report

Financially, Pima Federal Credit Union had a great year in 2014 that continued to build on the foundation established in 1951. Total assets increased by \$37 million or 9.2% to a record \$438.6 million. Total deposits grew by \$18 million or 5.3% to a year-end balance of \$361.7 million, supported primarily in regular savings, checking, and money market accounts. Certificates of deposit continued to decline, decreasing 2.8% or \$1.3 million. Given the current level of rates provided in the certificates of deposit, as driven by monetary policy and market conditions, members were increasingly wary of committing funds into longer term savings instruments.

In 2014, the Credit Union met the lending needs for a record number of current and new members, as demonstrated by our ability to meet their borrowing needs. Total loans at year-end reached a record \$225.7 million, a result of net loan growth of \$30.3 million or 15.5%. Loan quality remained high as demonstrated by the low year-end delinquency rate of .27% and loan losses of .74%. The Credit Union finished the year with net income of \$3.3 million or .76% return-on-assets, resulting in a strong year-end capital ratio of 10.19%.

In 2014, 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 2013, 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 15.5% loan growth in 2014 reflected an increasing demand for these solutions.

As we enter 2015 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 growth and operations of the cooperative and to fulfil 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 rate environment.

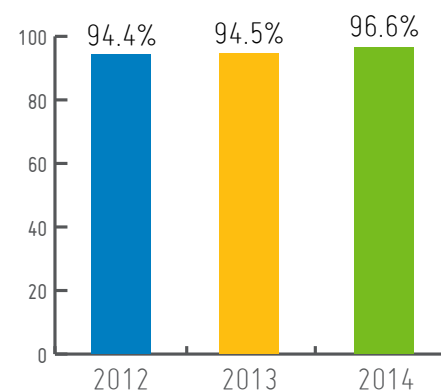
Pima Federal Credit Union is financially strong and continues to offer competitively-priced financial solutions while maintaining a strong capital ratio and low delinquencies. We continue to be poised to help our members achieve their financial hopes and dreams.

Sincerely,

Mr. Pedro Nájera, Treasurer

Mr. Eric Renaud, Executive Vice President/CFO

### Member Satisfaction



From the 2014 Member Survey  
(Includes members who are satisfied  
and very satisfied.)



Stone Financial Center

## Credit Review Committee Report

The Credit Review Committee is comprised of three volunteers and four paid employees. Its primary purpose is to ensure an effective program for the management of credit risk. 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 lending losses and delinquency trends by product, credit tier, collateral, dealership, and underwriter. The committee also works with management to monitor economic trends and the potential impact to members.

At year-end 2014, the delinquency ratio was 0.27% and the net charge-off ratio was .74%. Year-over-year, net charge-offs improved by .10%. Overall, delinquency and charge-offs continued to remain very low during the year, which was the result of good loan underwriting and effectively working with members as they encounter financial difficulties.

As a committee, we remain committed to helping our members with their lending needs while also appropriately managing credit risk. This balance helps our Credit Union to grow while maintaining the safety and soundness of our member-owned assets. Thank you for your ongoing trust in the Credit Union.

Sincerely,

Ms. Linda Kennedy, Chair

Mr. Eric Renaud, Executive Vice President/CFO

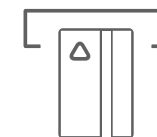
Mr. John Davis, Member Volunteer

Ms. Cindy Campano, Chief Lending Officer

Mr. Rudy Ingersoll, Member Volunteer

Mr. Ramon Gonzalez, Director of Credit

Mr. Nathanael Tarwasokono, President/CEO



We provide  
**55,000+ Fee-Free ATMs**  
as part of the Allpoint® Network



Thornydale Financial Center



Valencia Financial Center

## Supervisory Committee Report

In accordance with the Credit Union's bylaws, the Supervisory Committee consists of five member-volunteers and exists for the purpose of ensuring the Credit Union is adhering to all Board-established policies. To fulfill our responsibilities, our committee meets monthly to review audit reports and management responses, perform various audit functions, and complete surprise cash counts of tellers.

The committee selected the CPA firm of Nearman Maynard Vallez (NMV) to complete (a) the annual Financial Audit and bi-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 oversee the internal audit program for the Credit Union. Each year, the committee collaborates with management to create an audit plan for the upcoming year. In 2014, CLA completed numerous general control audits in the following areas: loan underwriting, investments, cash handling, insurance management, vendor management, business continuity planning, indirect lending, human resources, e-services, collections, accounting, credit/debit card processing, and corporate credit cards. CLA also completed the following regulatory audits: Bank Secrecy Act (BSA), Automated Clearing House (ACH), Fair and Accurate Credit Transactions Act (FACTA), and Secure and Fair Enforcement for Mortgage Licensing (SAFE) Act.

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. 2014 was another successful year for our organization and we are looking forward to a great year in 2015.

Sincerely,

Mr. Victor Thornton, Chair

Mr. James Knoff, Member Volunteer

Mr. David Finerson, Member Volunteer

Mr. Ron Parker, Member Volunteer

Mr. Michael Klinicki, Member Volunteer

## Loan Review Committee Report

The Loan Review Committee is comprised of two volunteers and two paid employees. The Committee's primary responsibility is to ensure an unbiased lending process for all members of the Credit Union. The Committee meets regularly to review loan application appeals submitted by loan officers 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.

On behalf of the Loan Review Committee, I want to thank the Board of Directors and Management for their support and cooperation throughout the year. Our Committee remains fully committed to ensuring a fair-minded and unbiased lending process for all members of the Credit Union. Thank you for allowing our Credit Union to serve your lending needs.

Sincerely,

Mr. Harold Semrock, Chair

Ms. Cindy Campano, Chief Lending Officer

Mr. James Kisner, Member Volunteer

Ms. Laura Henes, Director of Lending Systems and Compliance



Even our t-shirts are Smart. Simple. Personal.

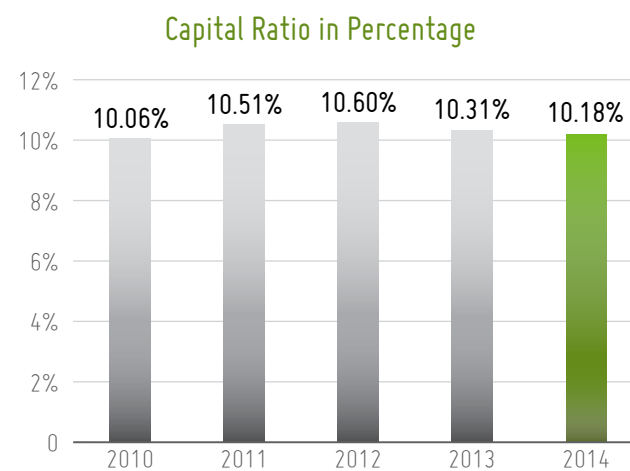
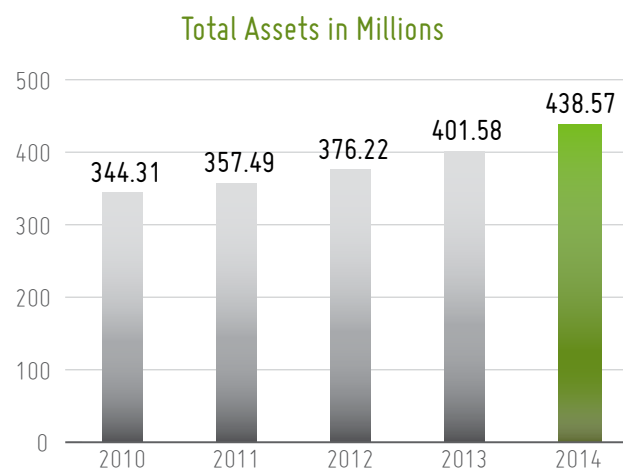
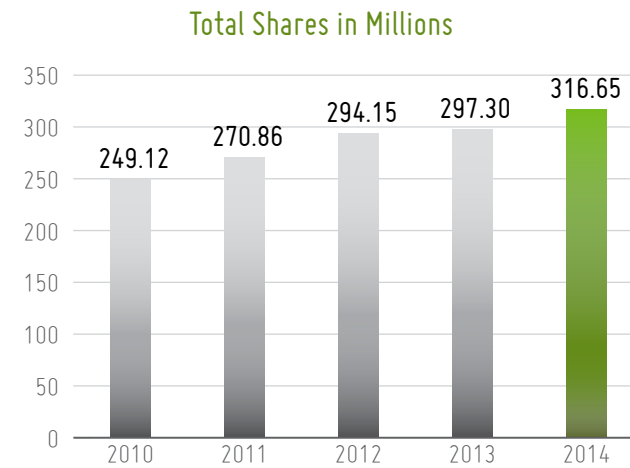
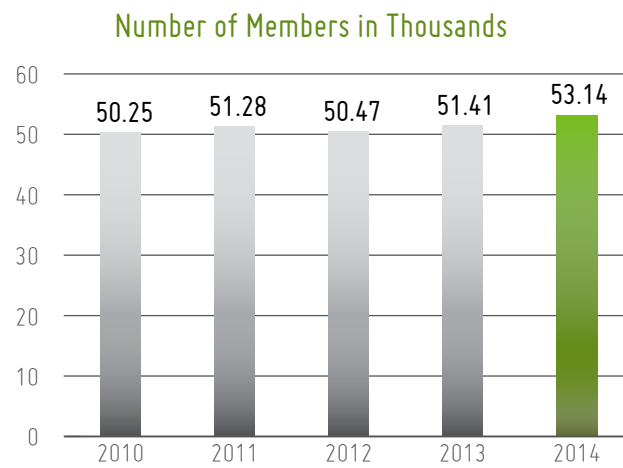
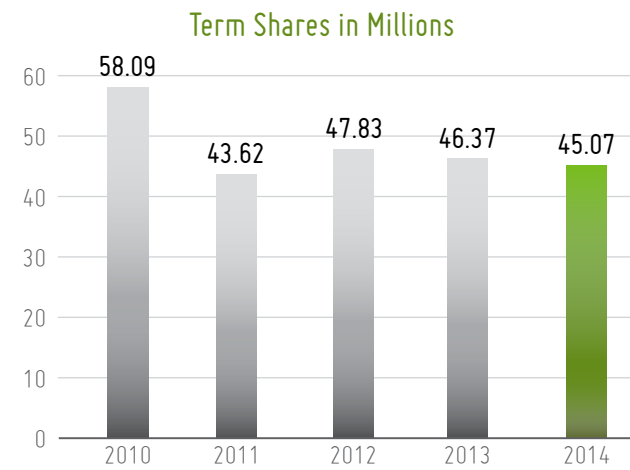
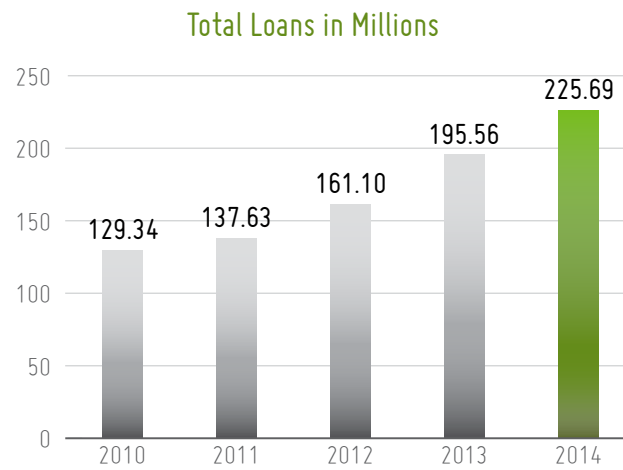
## 2014 Balance Sheet

	December 31, 2014	December 31, 2013	December 31, 2012
<b>Assets</b>			
Loans to Members	\$225,689,364	\$195,342,629	\$161,104,404
Less: Allowance for Loan Losses	2,553,796	2,358,299	1,871,688
<b>Net Loans Outstanding</b>	<b>223,135,568</b>	<b>192,984,330</b>	<b>159,232,716</b>
Cash Equivalents	5,118,630	4,828,857	5,424,888
Investments	175,343,320	180,512,817	183,547,033
Deposits in Corporate Credit Union/Banks	9,403,423	4,567,041	9,477,075
Land and Buildings	16,514,263	8,802,266	8,653,935
Furniture and Equipment	2,356,578	2,608,873	2,586,801
NCUSIF Deposit	3,559,021	3,449,829	3,343,135
All Other Assets	3,143,469	3,827,032	3,956,480
<b>Total Assets</b>	<b>\$438,574,271</b>	<b>\$401,581,048</b>	<b>\$376,222,063</b>
<b>Liabilities</b>			
Shares/Deposits	\$316,646,941	\$297,299,459	\$284,406,229
Certificates of Deposit	45,070,884	46,368,414	47,831,937
Total Member Shares/Deposits	361,717,826	343,667,873	332,238,166
Accounts Payable and Other Liabilities	34,149,335	21,894,123	3,971,750
<b>Total Liabilities</b>	<b>\$395,867,161</b>	<b>\$365,561,995</b>	<b>\$336,209,916</b>
<b>Capital</b>			
Regular Reserves	5,672,387	5,672,387	5,672,387
Undivided Earnings	38,997,281	35,741,585	34,211,529
Other Comprehensive Income	(2,537,020)	(2,100,588)	(2,795,102)
Investment Market Valuation	574,462	(3,294,331)	2,923,333
<b>Total Capital</b>	<b>\$42,707,110</b>	<b>\$36,019,052</b>	<b>\$40,012,147</b>
<b>Total Liabilities and Equity</b>	<b>\$438,574,271</b>	<b>\$401,581,047</b>	<b>\$376,222,063</b>

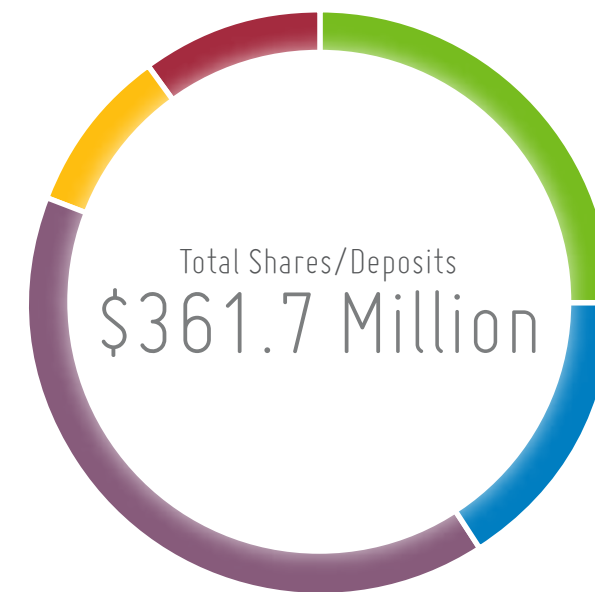
## 2014 Income Statement

	2014	2013	2012
Interest on Loans	\$11,803,715	\$10,607,617	\$9,631,800
Interest on Investments	\$3,639,283	\$3,359,939	\$3,440,962
<b>Total Interest Income</b>	<b>\$15,442,998</b>	<b>\$13,967,556</b>	<b>\$13,072,762</b>
Dividend Expense	\$600,705	\$620,122	\$719,053
Funds Purchased	\$34,172	\$17,923	\$877
<b>Total Interest Expense</b>	<b>\$634,877</b>	<b>\$638,045</b>	<b>\$719,929</b>
Net Interest Income	\$14,808,121	\$13,329,510	\$12,352,833
Provision for Loan Loss	\$1,873,213	\$1,981,043	\$1,151,421
<b>Net Interest Income after Prov</b>	<b>\$12,934,908</b>	<b>\$11,348,467</b>	<b>\$11,201,412</b>
Share Fee Income	\$3,386,429	\$3,430,807	\$3,643,604
Loan Fee Income	\$559,472	\$480,637	\$414,767
Interchange Income	\$2,458,883	\$2,286,140	\$2,218,763
Income from Reimbursement	\$511,308	\$449,981	\$394,073
Other Misc Income	\$322,400	\$209,377	\$417,027
Other Gain/(Loss)	(\$211,779)	(\$82,401)	(\$553,833)
<b>Total Non-Interest Income</b>	<b>\$7,026,713</b>	<b>\$6,774,541</b>	<b>\$6,534,402</b>
Salary & Benefits	\$8,472,984	\$8,055,071	\$7,954,227
Travel & Conference	\$241,179	\$238,329	\$183,537
Occupancy	\$1,689,977	\$1,658,954	\$1,541,916
Office Operations	\$2,545,956	\$2,540,634	\$2,247,770
Marketing	\$614,164	\$570,644	\$521,913
Loan Expense	\$507,505	\$481,666	\$301,054
Professional & Outside	\$883,306	\$775,857	\$742,421
Member Service Operations	\$1,739,452	\$1,646,070	\$1,408,534
Other Misc Expense	\$11,402	\$349,741	\$218,758
Insurance Stabilization Expense	\$0	\$275,986	\$317,598
<b>Total Non-Interest Expense</b>	<b>\$16,705,925</b>	<b>\$16,592,952</b>	<b>\$15,437,728</b>
<b>Net Income</b>	<b>\$3,255,696</b>	<b>\$1,530,056</b>	<b>\$2,298,086</b>

## 5-Year Financial Trends



## Share Composition



- 9% ● IRA Shares/Savings
- 10% ● Certificates of Deposit
- 16% ● Share Drafts/Checking
- 25% ● Regular Shares/Savings & Club
- 40% ● Money Market

## Loan Composition



- 7% ● Other Secured
- 9% ● Consumer Unsecured
- 22% ● Real Estate & Home Equity
- 62% ● Vehicle





© Pima Federal Credit Union. All Rights Reserved.  
Pima Federal and the 3-ringed icon are registered trademarks in the United States.  
April 2015.