



ANNUAL REPORT
2021

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THE Board of Directors

James Kisner
BOARD CHAIRMAN



David Bosman
VICE CHAIRMAN



James Knoff
TREASURER



Linda Kennedy
SECRETARY



Tim Dunne
BOARD MEMBER



David Finerson
BOARD MEMBER



Jason Larter
BOARD MEMBER



Pedro Nájera
BOARD MEMBER



Lisa Parke
BOARD MEMBER

Management

President/Chief Executive Officer
Eric Renaud

SVP/Chief Retail Lending Officer
Cindy Campano

SVP/Chief Financial Officer
Antonio Dias

SVP/Chief Administrative Officer
Angi Griffin

Chief Retail Officer
Celyna Cervantes

SVP/Business Services
Adam Coggshall

SVP/Organizational Development
Leah Friedenberg

Vice President of Human Resources
Sarah Holt

Vice President of Marketing
Jennifer Overpeck

Vice President of Compliance
Aaron Stewart

Vice President of Loan Operations
Eddie Frasquillo

The Committees

Supervisory Committee

Victor Thornton, *Chair* Rudy Ingersoll
Linda Dhaemers Matt Goldie, *ALTERNATE*
David Finerson Paige Shockley, *ALTERNATE*
Michael Klinicki

Asset & Liability Committee

James Knoff, *Chair* David Finerson
David Bosman Angi Griffin
Cindy Campano James Kisner
Celyna Cervantes Pedro Nájera
Adam Coggshall Eric Renaud
Antonio Dias



(Left) Representatives from Literacy Connects, the Southern AZ Law Enforcement Foundation, and Greater Tucson Fire Foundation came together for the 8th 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, ultimately raising a new record of \$66,000.

2021 Annual Meeting Minutes

Mr. James Kisner, Chairman of the Board, opened the official meeting at 6:04 p.m. Dave Bosman, Vice Chair declared a quorum had been met to be an officially qualified business meeting. Mr. Kisner asked for a motion to approve the minutes from August 25, 2020 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 incredible growth despite the pandemic. He reiterated how the Credit Union started with \$80 back in 1951, and at year-end 2020 Share Deposit Balances were at \$682.7 million, Total Assets increased \$166 million from the previous year ending at \$766.6 million. Shares grew 31% year-over-year, and Loan Balances grew 13% both above industry averages, while Regulatory Capital remained strong at 10.31%. Growth continues to be outstanding, with a variety of investments, and industry ratings showing strength and stability. He stated that credit goes to every employee and member of the Credit Union. 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 briefly highlighted the committee's primary objectives and asked to have the ALCO Report approved as printed on page 10 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 that have been received and reviewed, the committee feels the Credit Union is performing appropriately to sustain a safe and secure future and is managed well with a strong commitment to serving the membership.

He announced three new appointments to the Supervisory Committee for 2021, Mr. Rudy Ingersoll, Member; Matt Goldie, Alternate Member; and Paige Shockley, Alternate Member.

On behalf of the Supervisory Committee, Mr. Thornton thanked the Board of Directors, Management, and Employees for their dedication to protecting members' assets and operating with integrity and sound business practices, and member owners for their trust in Pima Federal Credit Union. He then asked to have the Supervisory Committee's Report approved as printed on page 9 of the Annual Report. Mr. Thornton introduced Ms. Linda Kennedy, Credit Review Committee Chair.

Ms. Kennedy welcomed members and staff in attendance. She provided highlights from the Credit Review Committee Report stating the delinquency ratio decreased to .17% compared to .58% in 2019, while year-to-date net charge-off ratio was .61% compared to .81% in 2019. She thanked members for paying their loans on time, and staff for working diligently to assist members during these unprecedented times. Ms. Kennedy asked to have the Credit Review Committee Report approved as printed on page 11 of the Annual Report.

Next, Mr. Knoff announced that Mr. David Bosman, Mr. James Kisner, and Mr. Jason Larter were re-elected to the Board by acclamation to a three-year term. Mr. Knoff re-introduced Mr. Jim Kisner.

Mr. Kisner asked if there was any New Business and there was none. Mr. Kisner then introduced Mr. Eric Renaud, President/CEO.

Mr. Renaud reported on the past year's events and operations of the credit union during the pandemic. He stated in February – March of 2020 it became clear we were going into new territory; walk-in traffic to lobbies was closed for the first time, and he thanked members for accepting the changes. The branch teams and the Member Service Center made quick adjustments to service members, and enhancements to technology were made to include adding a chat feature and a scheduling system for branch appointments. Remote work was supported while employing ways to service members and support the community. Through this, the Pantano branch was remodeled, and the Continental branch closed permanently, and employees were deployed to other departments. The Credit Union maintained low fees, and no fees, total assets continued to increase due to robust deposit growth partly due to the fiscal support from the federal government. Earnings and the capital ratio remained strong, and membership grew to 62,564.

2020 was a challenging year but there were many learning opportunities. The Business Services team at the Credit Union provided PPP loan assistance to small business owners, employees continued to find ways to volunteer, donations were made to charitable organizations, and families and children from four school districts received gifts and food donations directly from Pima employees during the Holidays. Mr. Renaud stated for this he is grateful, and he thanked the membership, employees,

70 YEARS OF Helping People



1951 Pima Federal Credit Union is founded by 16 teachers

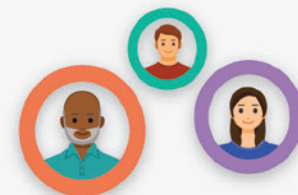
\$932.9MM
Asset Size

120
Employees

1,755
Employee Hours
Volunteered
Annually*



8 Branches
in Tucson, Oro Valley,
Sahuarita & Springerville



64,234 Members
from multiple generations

5-Star
Bauer Financial Rating

\$487,500
RAISED SINCE 2013
Pima Federal
Golf Classic

\$64,500
AWARDED SINCE 2013
Scholarships

\$132,000
Support to Local
Organizations
Annually*

1 Commitment
To help you
achieve your
financial goals
at every stage
in life.

*Average based on annual totals since 2015.

and volunteers for their commitment to the Credit Union. Mr. Renaud reintroduced, Mr. James Kisner, Chairman of the Board.

Mr. Kisner stated 2020 was an interesting year for all but the Credit Union remains strong because of its dedicated members. He thanked the employees and volunteers for their cooperation, and he stated that together we will get through this and move forward from here.

The Chairman then asked for a motion to adjourn the meeting. A motion was made, seconded, and the motion carried. The meeting adjourned at 6:27 p.m. ■

A MESSAGE FROM Our Chairman & President/CEO



James Kisner
Chairman of the Board



Eric H. Renaud
President & CEO

70 years of service to our members!

This year, a year in which we celebrated 70 years of service to our members, the second year of the pandemic, continued to be a challenging year for our community and nation at large. We are grateful to you, our membership, and your commitment to your credit union, your financial partner.

Pima Federal ended 2021 with solid earnings of \$13.2 million, and assets of \$933 million, ending the year with a strong capital ratio of 9.88%. Amazingly, year-over-year, total assets grew 21.7%, demonstrating the faith and confidence the membership and community have in Pima Federal. Membership grew to 64,234 members at year-end. The credit union once again received a 5-star rating from Bauer Financial.

Despite the challenges presented, our teams rose to the occasion to move forward with several initiatives to improve the products and services available to each of you. One primary example was the extensive work put into preparing a new digital banking platform. Digital banking is a tool that members are using at an increasing rate. The platforms we offer to the membership must be reliable and relevant. This was not the only initiative of course, but it is the most highly visible. The new platform was made available February 2022.

During 2021, your credit union was awarded the Louise Herring Philosophy-in-Action Award for our lending initiatives to help members. Credit Unions receive this award when their program and policies demonstrate a commitment to “People-Helping-People”, a core value of the industry. Additionally, Pima Federal was voted Best Credit Union in the AZ Daily Star/Tucson.com Readers’ Choice Awards.

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

- ▶ Maintained the lowest and fewest fees among peers.
- ▶ Maintained strong capital levels given the tremendous growth in total assets.
- ▶ Diversified our loan portfolio by adding business and increasing home loans.
- ▶ Originated a record number of home loan refinance and purchase loans.
- ▶ Offered relevant consumer mobile and online banking features.
- ▶ Expanded services in the drive-thru lanes.
- ▶ Participated in the Small Business Administration’s Payment Protection Program.

Beyond working directly with students in the classroom, Pima Federal provides exciting and valuable youth accounts and education scholarships. In 2021, we awarded a total of \$10,000 to five graduating seniors. Our Youth Savings Account provides a financial reward for good grades and offers a high dividend rate on savings.

Your credit union’s commitment to volunteerism is strong, however, the pandemic severely impacted our employees’ ability to go out and volunteer. As tough as it was, our employees found ways to contribute nearly 585 hours assisting 30 organizations. Sponsorships and donations, benefiting several different charitable organizations, totaled just over \$136,000. I’m thankful to our employees for finding new ways to give back to our community during this unique time.

Never forgetting our roots, we also provided financial gifts to four school resources offices, Amphitheater, Flowing Wells, Marana and Sunnyside. The resource offices provide support to homeless students, Holiday/Angel Tree programs, food, and clothing to families in need.

Additionally, our employees chose 17 different charities to receive a special year-end gift, deepening our impact locally.

Our 8th annual Pima Federal Golf Classic was held on April 29, 2021. The tournament raised \$66,000, a record amount, which was equally distributed to Literacy Connects, Greater Tucson Firefighter Foundation and Southern Arizona Law Enforcement Foundation Each of these entities provide a

valued service to our community and we are pleased to be able to support their mission.

On behalf of our entire organization, we are grateful to our Board of Directors, Supervisory Committee, and other committee members for their continued dedication to the credit union.

Your credit union’s strength relies on active participation and engagement from all members.

The Board of Directors, the Management Team, and all employees strive to provide you, our members, with service excellence at each interaction. 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. ■

Pima Federal National Day of Giving

On the National Day of Giving, each of our departments and branches donated \$250 to a local organization of their choice. We’re excited to support the following organizations who focus on varying causes within our community:

Treasurer's Report

The financial strength of your member owned financial cooperative continues to improve year after year. The following statistics comparing the year 2020 with 2021 illustrate this point:

1. Total assets increased by \$166.3 million to a total of \$932.9 million. This is a 21.7% increase.
2. Total member deposits increased by \$154.7 million to a total of \$837.4 million. This is a 22.7% increase.
3. Loan balances grew by \$92.9 million to a total of \$562.1 million. This is a 19.8% increase. Loans granted in 2021 included \$94.1 million in mortgages and home equity loans; \$65.1 million in business loans; \$70.3 million in vehicle loans; and \$21 million in credit cards.
4. Despite this year's record growth in member deposits, the loan to share ratio only declined slightly from 68.73% to 67.13%. This means that for every dollar on deposit, the credit union has loaned out 67.13 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 \$13.2 million and continues at a strong 9.89% of assets.
6. Net income was \$13.2 million, a return on asset ratio of 1.54%. This compares to a 2020 return on asset ratio of 1.38%, 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 Retail Lending Officer, SVP Business Services, 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), which consider 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 low interest rates, while anticipating a rising rate environment 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*



2021 Pima Federal Education Award Recipients

(top left to right) Isabel Barrios, Naomi Bridges, Sebastian Colondres, (bottom left to right) Casey Lawson, and Daniel Pena.

Supervisory Committee Report

The Supervisory Committee is an independent committee that has five volunteer members and is appointed by the Board of Directors, from among the members of Pima Federal Credit Union. 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.

In order 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.

Through these difficult and challenging times, I want to take the opportunity 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*

2021 Balance Sheet

	December 31, 2021	December 31, 2020	December 31, 2019
ASSETS			
Loans to Members	\$564,251,415	\$470,856,052	\$414,633,615
Less: Allowance for Loan Losses	3,161,573	4,599,496	3,810,230
Net Loans Outstanding	561,089,842	466,256,556	410,823,385
Cash and Investments	294,804,649	241,769,552	154,885,049
Land and Buildings & Furniture and Equipment	19,014,777	18,925,809	19,347,728
NCUSIF Deposit	7,549,452	5,918,936	5,035,721
All Other Assets	50,470,342	33,747,859	10,569,466
Total Assets	932,929,062	\$766,618,712	\$600,661,349
LIABILITIES			
Total Member Shares/Deposits	837,365,977	682,679,013	521,275,449
Accounts Payable and Other Liabilities	6,985,450	5,644,803	10,512,080
Total Liabilities	\$844,351,427	\$688,323,816	\$531,787,530
CAPITAL			
Undivided Earnings and Regular Reserves	92,252,453	79,041,669	70,418,527
Other Comprehensive Income & Investment Market Valuation	(3,674,819)	(746,774)	(1,544,708)
Total Capital	\$88,577,635	\$78,294,896	\$68,873,819
Total Liabilities and Equity	\$932,929,062	\$766,618,712	\$600,661,349



Pima Federal team members proudly thanked our community for being voted Best Credit Union in the AZ Daily Star's 2021 Reader' Choice Awards for the 3rd year in a row.

2021 Income Statement

	December 31, 2021	December 31, 2020	December 31, 2019
Interest on Loans	\$21,519,754	\$21,042,137	\$19,372,152
Interest on Investments	2,855,392	2,880,693	4,678,805
Total Interest Income	24,375,146	23,922,829	24,050,957
Dividend Expense	1,704,414	2,250,591	2,883,283
Funds Purchased	355	1,118	2,268
Total Interest Expense	1,704,769	2,251,709	2,885,550
Net Interest Income	22,670,377	21,671,121	21,165,406
Provision for Loan Loss	-260,023	3,459,654	3,459,025
Net Interest Income after Provision	22,930,400	18,211,467	17,706,381
Fee & Other Income	11,434,781	10,056,103	10,160,844
Operating Expense	21,154,396	19,644,428	19,111,152
Net Income	\$13,210,784	\$8,623,142	\$8,756,073

Pima Federal Holiday Donations

In the spirit of giving during the holiday season, Pima Federal Elves teamed up with the below school districts and their respective holiday gift giving programs.



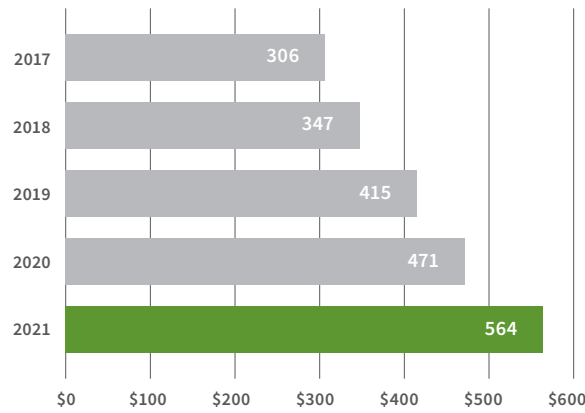
\$1,000
Provided to
each district



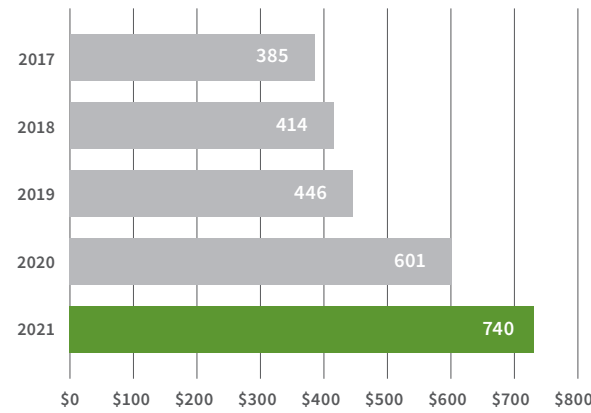
5-YEAR Financial Trends

Loan Composition

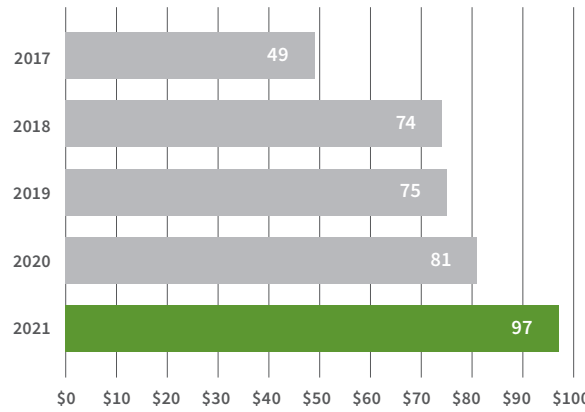
Total Loans in Millions



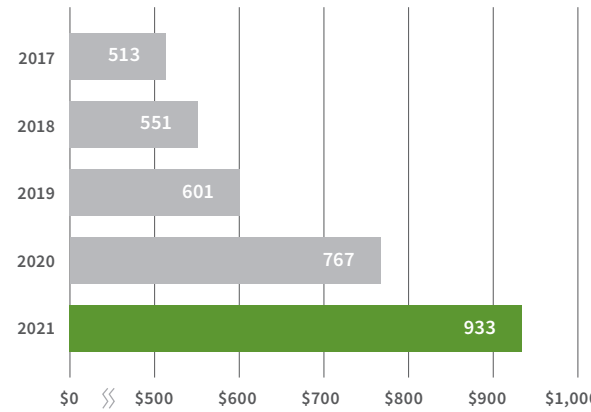
Total Shares in Millions



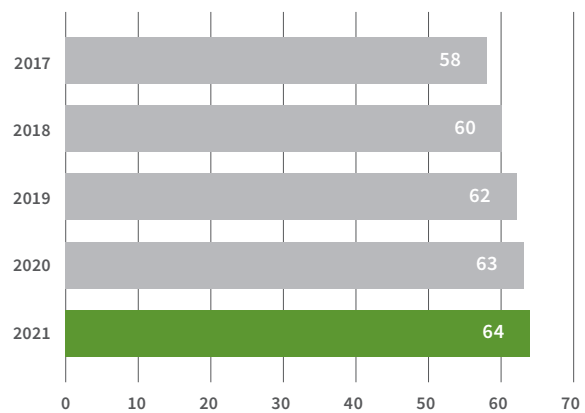
Term Share Certificates in Millions



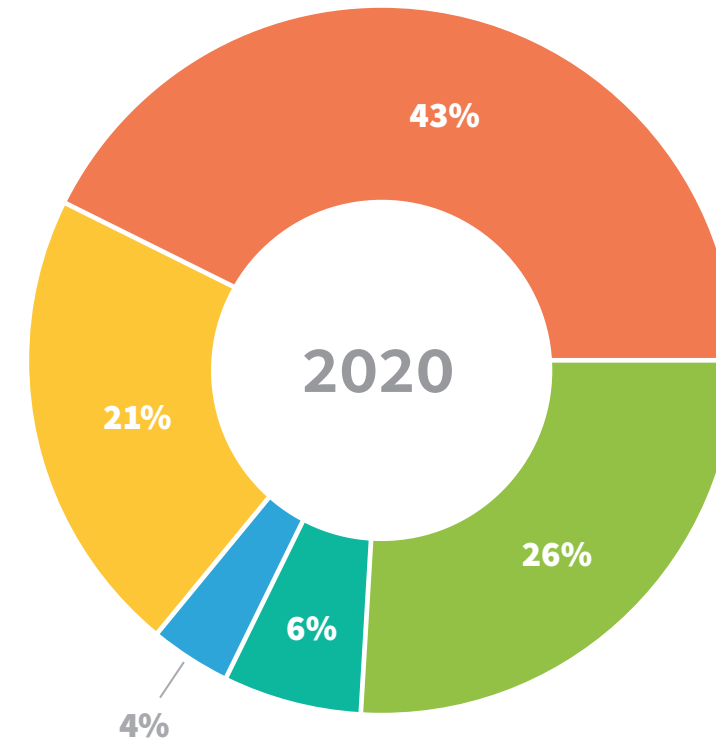
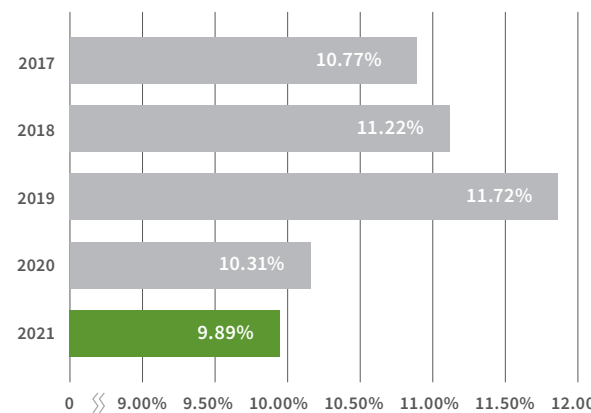
Total Assets in Millions



Number of Members in Thousands

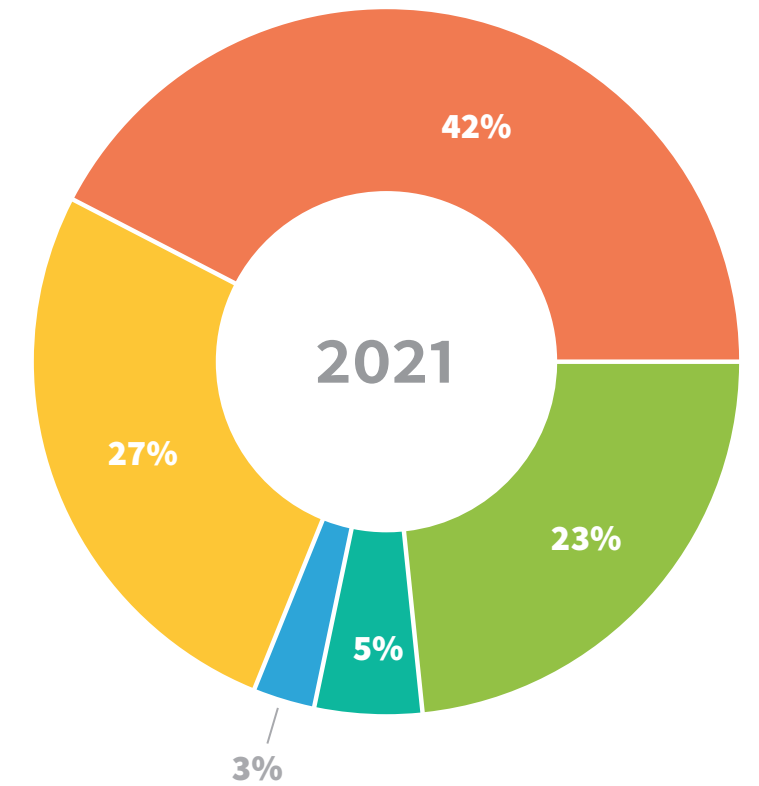


Capital Ratio in Percentage



\$471MM
Total Loans

\$564MM
Total Loans



- 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

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May 2022