



## 2022 ANNUAL REPORT

*From the smallest details...*



*to the big picture, our focus is clear.*

**Placing the best interest  
of our members FIRST!**

## Continually Strong & Secure



**IN** a rapidly changing economy, it's reassuring to know that some things remain dependably solid and stable, like Caltech Employees Federal Credit Union. Year after year, our unwavering focus on our Core Values — **Members First, Financial Strength, Ethics, and the Importance of People** — positions us for continued success as we earn our members' trust and confidence every day by providing unsurpassed safety, security, service, and value.

In 2022, we delivered solid returns across key financial metrics. However, two achievements stand out as truly remarkable. Despite facing the most rapid increase in interest rates and inflation since the 1980s, we completed the year with the strongest Net Worth

(capital) levels in the history of our Credit Union. At the same time, we moved member dividend rates upward while maintaining competitive lending rates. The resulting dividends paid to members for 2022 totaled more than \$22 million. And our loan portfolio increased by over 15%.

The realization of this exceptional performance was, once again, made possible by our unique business model — a conservative financial management philosophy based on providing only those services we do best, maximizing operating efficiencies, and passing on the cost savings to you, our loyal members.

So, any way you look at it, the benefits of belonging to CEFCU are easy to see.



### BOARD OF DIRECTORS

(Top row L to R):

Chair **JOHN PATTERSON**,  
Senior Finance Analyst-Public Finance and Investments,  
County of Los Angeles, Treasurer & Tax Collector;  
Vice Chair **STEVE PROIA**, Retired, CFO/Director  
for Business Operations, JPL;  
Treasurer **RICH HARRIS**, President/CEO, CEFCU;

(Middle row L to R):

Secretary **DLORAH GONZALES**, Retired, Director of  
Employment and Employee Services, Caltech;  
**LAURICE BALIAN**, Director of Audit, Caltech;  
**ANN MARTIN**, Senior Associate General Counsel, Caltech;

(Bottom row L to R):

**RICHARD O'TOOLE**, Retired, Executive Manager,  
Office of Legislative Affairs, JPL;  
**PETER RINDE**, Division Manager for  
Enterprise Business Information Services, JPL;  
**THERESA SLOWSKEI**, Associate Controller, Caltech.



## Chair & President's Report: The Year in Perspective

Since 1950, CEFCU has sustained a legacy of keeping true to who we are and what we do, while continuing to succeed in an ever-changing world. Last year was no exception. Our business model of providing only those services we can do best and passing on the savings to our members has, yet again, proven to be a strong and stable approach in the unprecedented interest rate environment of 2022.

Over the course of the year, in an effort to stem inflation, the Federal Reserve raised its federal fund rate seven times, from nearly zero to 4.5%. The result was felt by every financial institution in the nation, and has affected every category of savings and lending products.

At CEFCU, however, we remained committed to maintaining superior financial value. Our Board of Directors raised monthly dividend rates nine times in 2022, starting from 0.50% APY for our highest savings tier and ending the year at 2.40% APY — increasing dividends as quickly as possible while our assets repriced. Indicative of our financial strength and commitment to members, **over \$22 million was paid out to members in the form of monthly dividends.**

Loan rates, of course, were similarly impacted, especially those tied to indexes. Interest rates for our 30-year Fixed-Rate First Trust Deed mortgage loans were just 3.00% at the beginning of 2022, but increased to 5.875% by year-end. CEFCU's Traditional and 10-Year Interest Only Home Equity Lines of Credit both stood at 3.75% at the outset of 2022, compared to year-end rates of 5.90% and 6.00%, respectively. And auto loan rates started the year as low as 1.19%, but finished the year at 3.45%. In every case, upon loan qualification, all members received our best rates regardless of credit score.

While most members continued to save their liquid funds at CEFCU, some members chose to diversify assets into higher-yielding, long-term investments. By year-end, we saw a slight decline in total savings balances from \$1.92 billion to \$1.87 billion. That said, the strength and value of our organization is not wholly reflected in our assets or growth statistics. Year after year, our unwavering success is maintained by the overall strength and stability



(L) **RICH HARRIS** *President/Treasurer*

(R) **JOHN PATTERSON** *Chair, Board of Directors*

of our Credit Union. ***In fact, we ended 2022 with the strongest and most secure Net Worth (capital) levels in our history, earning \$8.1 million of Net Income.***

### **THE POWER OF COST-EFFICIENCY**

Our operating expense ratio remained well below the industry average, strengthening our bottom line and empowering us to return more earnings to our members in the form of superior financial value. ***In 2022, we returned 33% of every dollar of income to our member/owners, which is among the highest percentages in the nation and significantly higher than the national industry average of only 8%.***

All this was achieved without compromising member access, convenience, or security. Instead, our outstanding performance was reinforced by our ongoing financial management philosophy of providing selective services and avoiding high-cost, loss-leader types of products (such as checking). This time-tested business model, combined with careful planning, operating efficiencies, and prudent cost controls, allowed us to realize significant cost savings. Those savings, in turn, translated into higher dividend rates, lower loan rates, and lower or no fees.

Not surprisingly, our unique business model and management philosophy was validated by our members, as we earned an exemplary member satisfaction rating of 95% for the year. And, thanks largely to member recommendations in our “Refer to Win” Sweepstakes, we welcomed 1,296 new members to CEFCU.

## WE NEVER LOSE SIGHT OF SAFETY AND SECURITY

With more than 64% of our members using eBranch and our mobile app, our ongoing investment in online capabilities was invaluable. We upgraded our operating systems, including the ability to view Direct Deposit information and apply for loans via our mobile app.

Most importantly, with the ever-pervasive threat of data breaches and fraud, protection against cyberattacks was magnified. In 2022, we enhanced our technological landscape to further block sophisticated cybersecurity threats to our information technology infrastructure. We implemented new policies and controls, paired with extensive staff training, to protect confidential information from scammers. Furthermore, educating members to guard their personal information took center stage in our Financial Wellness curriculum.

## PRODUCT CLOSE-UPS

Real Estate lending was again our leading loan product last year. Although refinancing activity declined due to rising interest rates, our Adjustable-Rate First Trust Deed mortgages fit the fiscal needs of many members — from

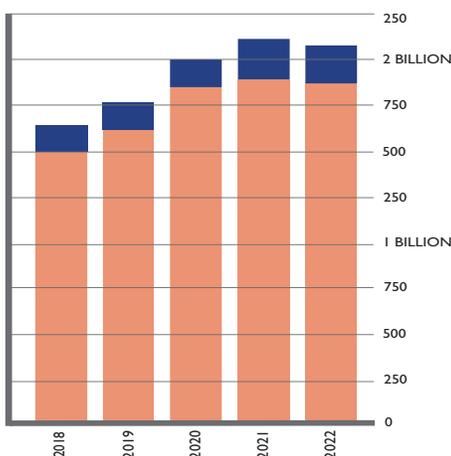
first-time homebuyers to borrowers looking for lower rates and longer-term options. We funded more than \$103 million in new First Trust Deeds, bringing our total Real Estate portfolio to \$405 million.

In addition, more members recognized the exceptional value of our two Home Equity Lines of Credit — both featuring low variable rates, entirely fee-free service, and zero dollars to open or maintain. Nearly \$46 million in lines of credit were extended, with total outstanding loan balances of \$57 million.

Members who were in the market to purchase a new car, buy out a lease, or refinance from another lender were well-served by low rates on Vehicle Loans. Compared to dealers and other lenders, our auto rates and terms remained a great value for new and pre-owned vehicles, generating over \$39 million in new loans and bringing our auto loan portfolio to \$58.5 million.

## LOOKING AHEAD

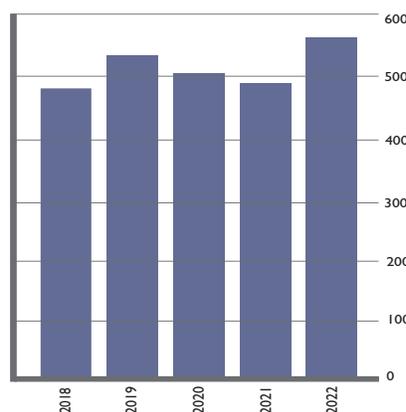
While time will always bring changes, our focus remains fixed on our members' best interest. We look forward to serving you in the coming years and are proud to be powered by your loyalty and confidence.



### ASSETS & SHARES

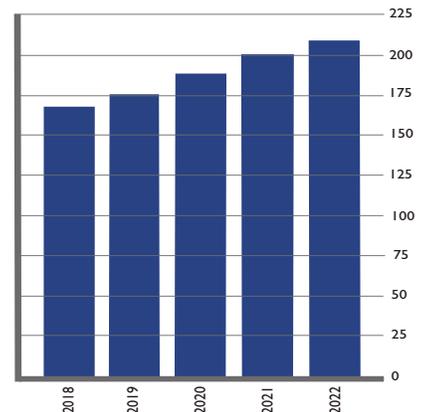
(Year end, in millions of dollars)

■ ASSETS ■ SHARES



### LOANS

(Year end, in millions of dollars)



### NET WORTH

(Year end, in millions of dollars)

# Statements

## FINANCIAL CONDITION

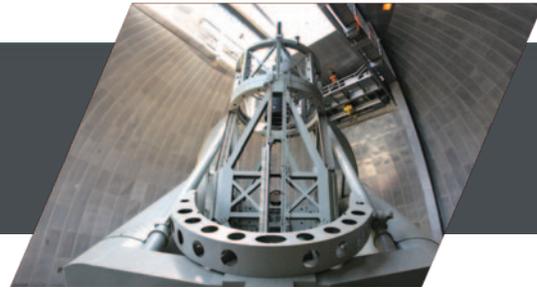
December 31,	2022	2021
<b>ASSETS</b>		
Loans, net of allowance for loan losses	\$ 563,778,702	\$ 488,018,357
Cash on hand and demand accounts	48,765,057	80,352,917
Investments, net	1,450,671,360	1,537,491,903
Accrued income	4,537,722	4,073,899
Fixed assets, net	11,737,514	11,141,982
Other assets	2,117,417	1,560,853
	<u>\$ 2,081,607,772</u>	<u>\$ 2,122,639,911</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
Accounts payable and accrued expenses	\$ 6,223,853	\$ 4,414,573
Members' shares	1,865,557,177	1,916,459,893
Net Worth	209,826,742	201,765,445
	<u>\$ 2,081,607,772</u>	<u>\$ 2,122,639,911</u>

## INCOME AND EXPENSE

For the years ended December 31,	2022	2021
<b>INTEREST INCOME</b>		
Interest on loans	\$ 18,391,434	\$ 17,442,903
Interest on investments	30,792,097	19,011,012
	<u>\$ 49,183,531</u>	<u>\$ 36,453,915</u>
<b>COST OF FUNDS</b>		
Interest on Borrowed Funds	\$ 3,505,417	\$ -0-
Members' dividends	\$ 22,024,302	\$ 9,909,767
Net Interest income	\$ 23,653,812	\$ 26,544,148
Provision for loan loss expense	\$ -0-	\$ -0-
Other operating income	\$ 1,579,518	\$ 1,720,792
Other non-operating income (expense)	53,198	742,601
	<u>\$ 1,632,716</u>	<u>\$ 2,463,393</u>
<b>OPERATING EXPENSES</b>		
Compensation	\$ 7,715,493	\$ 7,393,835
Employee benefits	2,924,697	2,751,959
Education and conference	350,396	210,645
Association dues	103,579	99,683
Office occupancy	721,957	687,746
Office operations	2,154,552	2,084,137
Marketing and promotions	400,371	370,616
Loan servicing	929,350	983,681
Professional and outside services	1,576,891	1,563,120
NCUA operating fee	347,142	398,254
Miscellaneous	803	4,893
	<u>\$ 17,225,231</u>	<u>\$ 16,548,569</u>
<b>NET INCOME</b>	<b>\$ 8,061,297</b>	<b>\$ 12,458,972</b>

The 2022 Statements above are unaudited. An independent, certified opinion is currently in process.

# Supervisory Committee Report



The Supervisory Committee is an audit committee composed of Credit Union members who are appointed by the Board of Directors. Our primary responsibility is to ensure that member funds and interests are protected.

In pursuit of this goal, the Supervisory Committee's activities include: participation in the monthly Board of Directors' meetings; bi-monthly meetings of the Supervisory Committee to review financial performance and overall financial health of the Credit Union; and periodic audits of accounts, policies, procedures and internal controls.

To assist in our review of the Credit Union and in accordance with regulatory requirements, the Supervisory Committee engaged the independent accounting firm of Richards & Associates, CPAs, to perform the annual certified audits. An opinion audit was completed in 2022 for the year of 2021. The 2022 audit is currently in process.

The Committee has also engaged the CPA firm of TWHC to provide the internal audit function on a regular ongoing basis. In addition to these reviews, the National Credit Union Administration (NCUA) performs a regulatory examination every 12 months. The results of all reviews to date give us confidence that the Credit Union is in compliance with applicable regulations, safeguarding members' assets, and following policies and procedures approved by the Credit Union Board of Directors.

## SUPERVISORY COMMITTEE

THERESA SLOWSKEI, *Chair*  
ALEEN BOLADIAN, *Member*  
WALTER BOYD, *Member*  
JOE COURTNEY, *Member*



## MISSION STATEMENT

*CEFCU provides superior value with unsurpassed service through selected financial products while maintaining our tradition of stability, security, and trust.*

## CORE VALUES

**MEMBERS FIRST** — *We always place the best interests and welfare of our members first.*

**FINANCIAL STRENGTH** — *We never compromise the financial strength and security of the organization.*

**ETHICS** — *We conduct all activities with honesty and integrity.*

**IMPORTANCE OF PEOPLE** — *We promote the well-being of our members, volunteers, and employees.*

## LA CAÑADA OFFICE

528 Foothill Boulevard  
PO Box 11001  
La Cañada Flintridge, CA 91012-6001  
800/592-3328 • 818/952-4444

## REAL ESTATE LOAN CENTER

801 Foothill Boulevard  
PO Box 11001  
La Cañada Flintridge, CA 91012-6001  
800/592-3328 ext. 404

## JPL OFFICE

4800 Oak Grove Drive  
Building 291  
Pasadena, CA 91109  
818/354-3280

## CAMPUS OFFICE

1200 East California Boulevard  
Pasadena, CA 91125  
CIT 100-63  
626/395-6300

## ATM LOCATIONS

La Cañada Office  
Caltech Campus (2 Locations)  
Lee F. Browne Dining Hall • Keith Spalding Building  
The Huntington Library, Art Collections,  
and Botanical Gardens  
JPL (3 Locations)  
Building 303 • Building 291 • Building 167

## WEBSITE

[www.cefcu.org](http://www.cefcu.org)

**PHOTO CREDITS:** *Front cover, W.M. Keck Observatory (Caltech/Maunakea); Overview, 48-inch Samuel Oschin Telescope (Palomar Observatory/Caltech); Chair & President's Report, Owens Valley Radio Observatory; Back cover, 200-inch Hale Telescope (Palomar Observatory/Caltech).*

