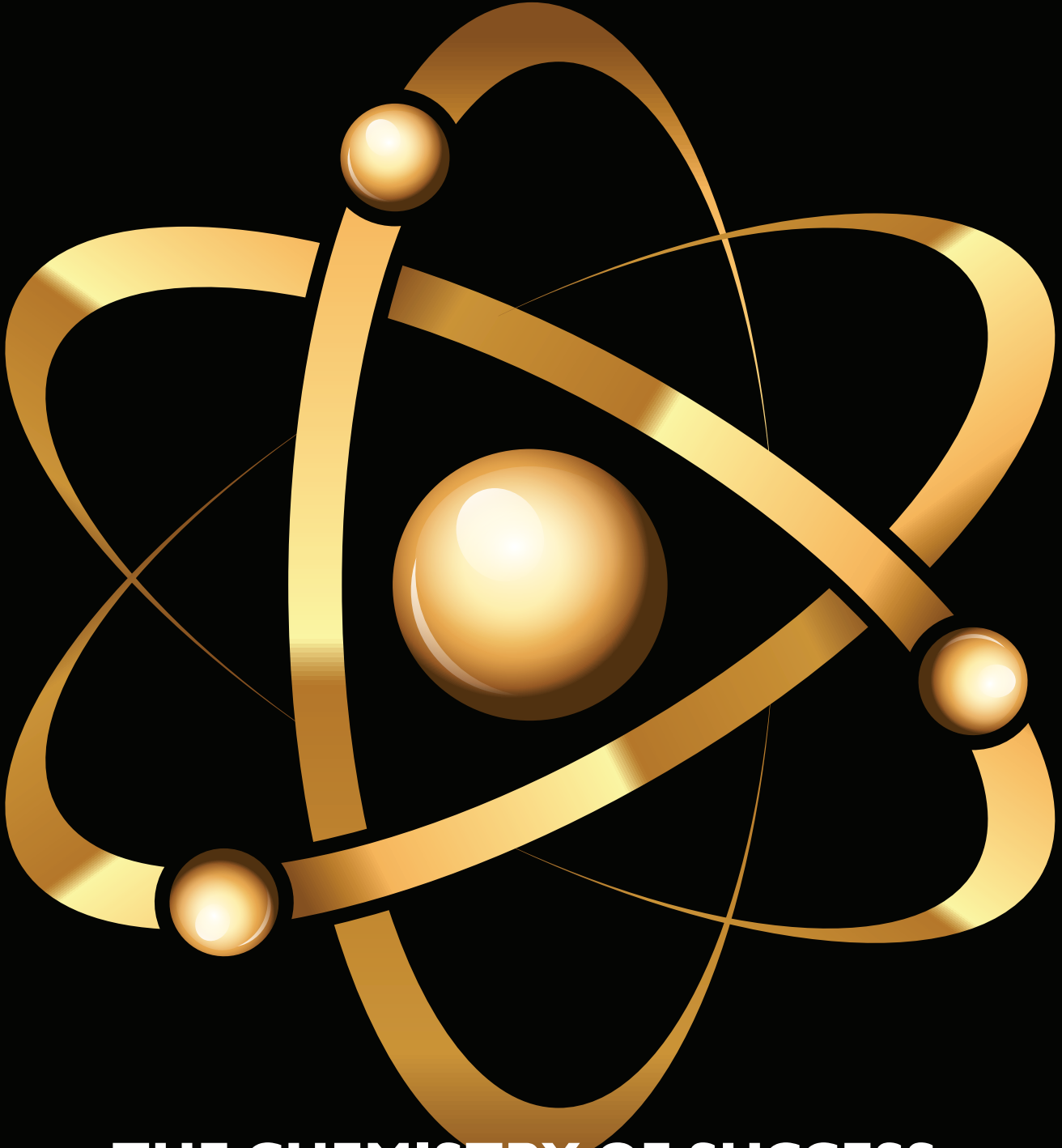




## 2023 ANNUAL REPORT



**THE CHEMISTRY OF SUCCESS**

***Strength • Stability • Security***

## Our Elemental Advantage: A Unique Member-Centric Structure

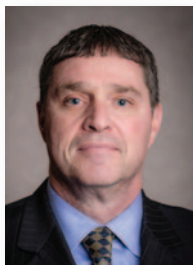
*The enduring success and stability of our Credit Union, year after year, is never more apparent than during a challenging time; and, the past two years have provided just such a challenge, with the most rapid increase in interest rates and inflation since the 1980s. CEFCU, however, completed 2023 with the strongest and most secure Net Worth to Asset ratio in the history of our Credit Union, underscoring our legacy of safety, security, and protection of our members' deposits.*

*Obviously, these consistent qualities are not just due to chance. They are built into the very structure of CEFCU itself. Our member-centric business model — founded on careful planning, operating efficiencies,*

*and maintaining a low-cost competitive advantage through selective services — proved successful once again. This allowed us to return the highest dividend payout to our members to date, over \$47 million in the form of monthly dividends, while maintaining transparent benefits in lending, security and service.*

*Underscoring this commitment to our membership, we returned an exceptional 65% of total income earned to our members. That's well over three times the average return of all credit unions in the nation! Building on our long-standing policy of excellent returns, coupled with our sustained generation of loan income, we stand well-positioned to offer increasingly competitive rates in the coming year and beyond.*

### BOARD OF DIRECTORS

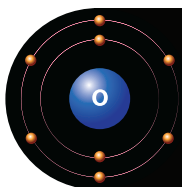


*(Top row L to R):*

*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; Secretary DLORAH GONZALES, Retired, Director of Employment and Employee Services, Caltech;*

*(Bottom row L to R):*

*LAURICE BALIAN, Senior Director of Audit, Caltech; JOE COURTNEY, Division Manager of Protective Services, JPL; ANN MARTIN, Senior Associate General Counsel, Caltech; PETER RINDE, Division Manager for Enterprise Business Information Services, JPL; THERESA SLOWSKEI, Associate Controller, Caltech.*



## Chair & President's Report:

**JOHN PATTERSON** *Chair, Board of Directors* • **RICH HARRIS** *President/Treasurer*

### Structured for Solid Performance

2023 was yet another example of how our underlying business model and commitment to our members allow us to remain strong and stable in a volatile and highly challenging financial environment.

As the Federal Reserve continued to fight inflation in 2023 with a significant increase in short-term interest rates (a total of 11 increases in two years), CEFCU has continued to prioritize giving back to our members through our monthly dividends while maintaining competitive lending rates and unparalleled financial stability. In response to rising interest rates, the Board of Directors raised monthly dividends six times in 2023, increasing rates as quickly as possible while continuing to maintain our commitment to providing a strong and stable financial institution for our members.

The continued financial strength and stability of CEFCU was clearly reflected in the highest Net Worth ratio in the history of our Credit Union, along with the highest dividend returns, and an exceptional member satisfaction rating of 92%.

The rapidly rising interest rate environment has also created a new challenge for our Credit Union, as CEFCU experienced an outflow of share deposits in 2023. The decrease in share deposits, primarily driven by members seeking higher rates available through other investment options, has become a central focus for both the Board of Directors and management.

### INTRINSIC STRENGTH AND ORGANIZATIONAL STABILITY

Our solid footing from a capital and liquidity perspective, coupled with strong financial metrics and strategic management of assets, has allowed CEFCU to maintain satisfactory earnings while continuing to provide competitive loan rates to our members. However, the real key to our success was in our ability to translate strong financial performance into providing exceptional value to our members, as almost 65% of CEFCU's total income was returned to members as dividends, compared to an average return of 19.65% for all U.S. credit unions.

Our continued investment in technology has resulted in an exceptional level of cost efficiency, as well as uninterrupted and secure operating systems. More than 65% of our members are currently using eBranch and our mobile app. In 2023, CEFCU

upgraded our online security by implementing mandatory multi-factor authentication (MFA), which requires users to provide multiple forms of verification when logging into their accounts. In addition, we updated our mobile app to provide more intuitive navigation and functionality, and fraud prevention was further reinforced through staff training and member awareness initiatives.

Together, these factors allowed us to keep our net operating expense ratio at 0.87%, which is significantly below the industry average, with no compromise to member access, convenience, or security.

### RISING TO THE CHALLENGE

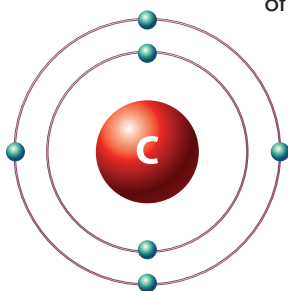
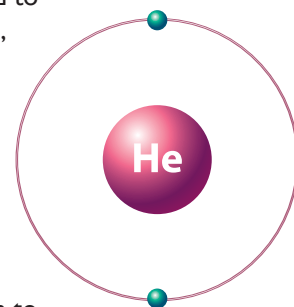
The unprecedented actions of the Federal Reserve over the past two years impacted all loan rates, from consumer and real estate loans to adjustable rates tied to indexes. However, unlike other lenders, we do not base our loan rates or fees on the individual risk factors associated with each loan transaction. Upon qualification, all CEFCU members receive the most competitive loan rates, regardless of credit score.

Despite the rising interest rate environment, our value driven approach to member lending helped generate continued growth in our loan portfolio of 3.78% in 2023. Real Estate lending helped many members buy new homes, refinance adjustable-rate mortgages, or generate cash-out equity. In 2023, CEFCU funded over \$38 million in new First and Second Trust Deeds, bringing our total real estate portfolio to nearly \$480 million.

Members also took advantage of the exceptional value offered by our two Home Equity Line of Credit products — both featuring low variable rates, entirely fee-free services, and no costs to open or maintain. In 2023, CEFCU extended nearly \$32 million in lines of credit through our Traditional and 10-Year Interest Only HELOC, bringing the total outstanding loan balances to over \$54 million.

For those in the market for a new or pre-owned car, lease buy-out, or refinancing loans from another lender, our low-cost vehicle loans offered exceptional value compared to car dealers and other lenders. Nearly \$31 million in auto loans were funded by CEFCU in 2023.

Our credit cards also provided excellent value for our members. In October 2023, we introduced a 6.49% reduced rate promotion for all new CEFCU Mastercard purchases through October 2024.



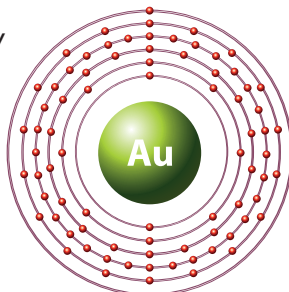
## SOLID VALUE IN CHALLENGING TIMES

Not surprisingly, the rapid rise in interest rates in 2023 limited our ability to offer the highest interest rates on share balances compared to some other products available in the financial markets. Nevertheless, our Board kept steadily raising dividend rates, even adding a fifth dividend tier for account balances above \$500,000

(with provisions for deposit insurance well beyond the \$250,000 NCUA level). By year-end, CEFCU returned a record \$47.59 million to members in the form of monthly dividends. Although our dividend rate has not fulfilled the promise of unmatched financial value embedded in our history and culture, CEFCU remains committed to offering our members the highest possible dividend rates, while maintaining a highly secure and stable financial institution.

The COVID pandemic and the resulting impact on the financial markets had a significant effect on consumer behavior, including the individual financial decisions of CEFCU members. As a result of the substantial uncertainty during the initial stages of the pandemic and the superior value of our dividend rates compared to other investment options, CEFCU experienced significant growth in member share balances with an increase of over \$407 million, as members sought the financial security and stability of our Credit Union.

As those initial fears and uncertainty began to subside, coupled with the ongoing increase in short-term interest rates, many members redeployed their share balances to other earning investment options, which resulted in a decrease in



total member share balances of \$260 million in 2023. The CEFCU Board and management believe the reduction in share balances is a temporary market correction caused by the significant increase in interest rates by the Federal Reserve to reduce inflation, and we remain committed to providing superior value through our future dividend rates as the interest rate environment returns to more stable and historical conditions.

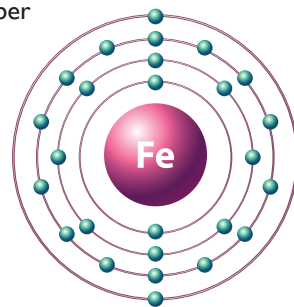
## AN UNBROKEN BOND OF TRUST

In reflection of the bond of trust with our members and our commitment to serving the entire extended Caltech community, we welcomed 1,321 new members to CEFCU in 2023, bringing our total number of accounts to 38,047.

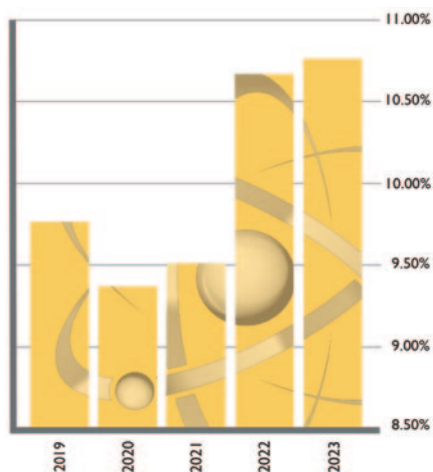
In February 2023, President/CEO Rich Harris announced his planned retirement in the first quarter of 2024. In October 2023, the Board announced the appointment of John Meeker, CEFCU's current SVP/Chief Financial Officer as the incoming President/CEO, effective April 2, 2024.

Thanks to his outstanding level of performance and commitment to CEFCU throughout his long and successful career, Mr. Harris will be leaving our Credit Union on a rock-solid foundation, and well-positioned for continued growth, stability, and prosperity for our members.

As always, our members' benefit and security remain at the nucleus of all our endeavors as we enter a new year of opportunity.

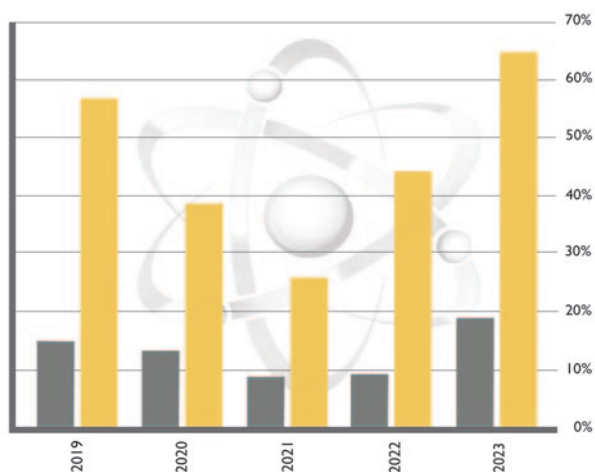


**NET WORTH RATIO**  
Net Worth as a Percentage of Assets  
(Year end)

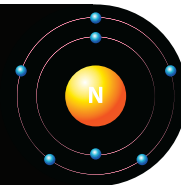


**RETURN TO MEMBERS**  
Dividends as a Percentage of Total Income  
(Year end)

■ All Credit Unions in U.S. ■ CEFCU



# Statements



## FINANCIAL CONDITION

December 31,	2023	2022
<b>ASSETS</b>		
Loans, net of allowance for credit losses	\$ 585,071,324	\$ 563,778,702
Cash on hand and demand accounts	140,583,492	48,765,057
Investments, net	1,291,077,758	1,450,671,360
Accrued income	4,915,751	4,537,722
Fixed assets, net	10,337,076	11,737,514
Other assets	2,456,019	2,117,417
	<b>\$ 2,034,441,420</b>	<b>\$ 2,081,607,772</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
Accounts payable and accrued expenses	\$ 8,844,948	\$ 6,223,853
Members' shares	1,618,995,248	1,865,557,177
Borrowed funds	200,000,000	-0-
Net worth	206,601,224	209,826,742
	<b>\$ 2,034,441,420</b>	<b>\$ 2,081,607,772</b>

## INCOME AND EXPENSE

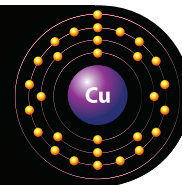
For the years ended December 31,	2023	2022
<b>INTEREST INCOME</b>		
Interest on loans	\$ 23,798,290	\$ 18,391,434
Interest on investments	47,594,100	30,792,097
	<b>\$ 71,392,390</b>	<b>\$ 49,183,531</b>
<b>COST OF FUNDS</b>		
Interest on borrowed funds	\$ 7,958,694	\$ 3,505,417
Members' dividends	47,031,780	22,024,302
Net interest income	\$ 16,401,916	\$ 23,653,812
Provision for credit loss expense	\$ -0-	\$ -0-
Other operating income	\$ 1,075,392	\$ 1,579,518
Other non-operating income (expense)	1,445,271	53,198
	<b>\$ 2,520,663</b>	<b>\$ 1,632,716</b>
<b>OPERATING EXPENSES</b>		
Compensation	\$ 8,166,146	\$ 7,715,493
Employee benefits	3,040,158	2,924,697
Education and conference	342,105	350,396
Association dues	115,342	103,579
Office occupancy	721,301	721,957
Office operations	2,132,747	2,154,552
Marketing and promotions	362,297	400,371
Loan servicing	842,836	929,350
Professional and outside services	1,579,823	1,576,891
NCUA operating fee	342,245	347,142
Miscellaneous	3,096	803
	<b>\$ 17,648,096</b>	<b>\$ 17,225,231</b>
<b>NET INCOME</b>	<b>\$ 1,274,483</b>	<b>\$ 8,061,297</b>

The 2023 Statements above are unaudited. An independent, certified opinion is currently in process.

In 2023, the adoption of the Current Expected Credit Loss (CECL) standard marked a significant shift in the estimation of loan losses. Mandated by the Financial Accounting Standards Board, this new approach altered the way credit unions are required to account for anticipated credit losses. Consequently, there was a slight impact on our capital, leading to a reduction in the Net Worth dollar amount. When implementing CECL, CEFCU was required to transfer funds from the Net Worth balance to the Allowance for Credit Loss account (ALCL). Under the accounting rules, CEFCU is required to add back a portion of the transferred funds to Net Worth when calculating the Net Worth Ratio.



# 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 2023 for the year of 2022. The 2023 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*

BRIAN CORCORAN, *Member*



## MISSION STATEMENT

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

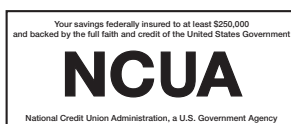
## CORE VALUES

**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)