



## 2015 Annual Report



*We're just like you!*



# Annual Meeting Agenda

April 20, 2016

Call to Order - Chairman, JR McEvoy

Determination of Quorum

Adoption of the 2015 Annual Meeting Agenda

Introductions of Board of Directors and Committee Members

Approval of Minutes from the 2014 Annual Meeting

Chairman's Report - JR McEvoy

Treasurer's Report - Sylvia Mejia

President & CEO - Anthony Walker

Committee Reports

Supervisory Committee Report - Janice Weaver

Credit Manager's Report - MaryBeth Gittings

Nominating Committee Report - Cliff Kinser

Call for Old Business

Call for New Business

Special Recognition

Call for Adjournment

Door Prizes

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## MINUTES FROM THE 2015 ANNUAL MEETING

**Held:** Wednesday, March 18, 2015

**Location:** 1001 Pinal Avenue, Casa Grande, AZ 85122

**Board Members Present:** JR McEvoy (Chairman), Joseph Hardy, Cliff Kinser, Anthony Walker

**Supervisory Committee:** Janice Weaver, Jim Dinkle

TOPIC	DISCUSSION(S)	ACTION TAKEN & FOLLOW UP
CALL TO ORDER	Chairman JR McEvoy called the meeting to order at 8:30 a.m.	
DECLARATION OF QUORUM & AGENDA	Attendees were recognized by Chairman McEvoy. Director Walker declared a quorum was present with (35 members) in attendance. The Agenda was reviewed and accepted. An introduction of volunteers included both Board of Directors and Supervisory Committee members.  Chairman McEvoy asked attendees to review the 2014 minutes and requested a Motion to Approve.	MB Gittings made a Motion to Approve the 2014 minutes as drafted. Seconded by S. Beatty. Motion carried.
CHAIRMAN'S REPORT	Director JR McEvoy welcomed attendees and reported the credit union remains well-capitalized—emphasizing the continued need to support and listen to our membership. Director McEvoy shared the committee members would be glad to speak with anyone who has questions, concerns, or suggestions regarding the Credit Union.	
TREASURER'S REPORT	CEO/Treasurer Walker presented the financial report of the credit union stating that the credit union assets increased 6.74% over prior year to \$108MM. Total Loans ended at \$70,434,900, a \$6.8 million or 10.8% increase over prior year.	
CHIEF EXECUTIVE OFFICER'S REPORT	CEO/Treasurer Walker detailed a history of growth since 2011 with attendees—focusing on Assets, Loans, and Shares. CEO/Treasurer Walker commented on the strength of staff and new products to assist the lifestyles of credit union membership i.e. Western Union, prepaid cards, and reward checking services. CEO Walker discussed their EZ Loan product to combat payday lenders/subprime lenders. Other highlights included a major investment in security surveillance at the Pinal Branch, creating our first credit union service organization (CUSO), purchasing a former B of A building to transition our Window Rock branch, and our community investments over \$20,000.  CEO/Treasurer Walker highlighted the ongoing efforts of staff.	
COMMITTEE REPORTS		Mr. McEvoy called for a motion to approve Ms. Mejia, Mr. Stueland, and Mr. Kinser to the Board of Directors. MB. Gittings made the motion and a second was made by P. Woodhead. Motion carried.
SUPERVISORY COMMITTEE REPORT	SC Chair Weaver reported for the Supervisory Committee. She stated they had been diligent in their cash audits and will be introducing a new audit firm, Orth, Chakler, Murnane to conduct our financial audits. She thanked the staff for their support and continued commitment to the credit union.	
CREDIT MANAGER'S REPORT	COO/Gittings gave the Credit Managers' report referring to page 10 of the Annual Report. She stated the loan portfolio grew from \$63.6 million to \$69.2 million—an increase over 8%.	

NOMINATING COMMITTEE REPORT	SC Chair Weaver stated there were three (3) written nominations submitted by the appropriate deadline. They were Sylvia Mejia, Nathan Stueland, and Cliff Kinser. SC Chair Weaver shared the nominating committee had reviewed the credentials of the candidates and they were in good standing with the credit union. The nominating committee made a recommendation to the Chairman to approve the candidates. Chairman McEvoy requested the candidates provide a brief introduction.	
OLD BUSINESS	Mr. McEvoy called for any other old business and hearing none moved to new business.	
NEW BUSINESS	<p>Mr. Walker stated the Board of Directors amended the Bylaws and per AZDFI communication dated June 17, 2014, it required ratification by the credit union members at the next regular or special meeting of the membership, outlined in Section 6-508© of the Arizona Revised Statutes.</p> <p>The amended bylaw reads as follows:</p> <ol style="list-style-type: none"> <li>1. ARTICLE III, MEMBERSHIP, Section 3.2; amended to read: A subscriber admitted to membership shall not become a member until qualified by pay—any membership fee of a uniform sum set by the Board of Directors and subscribing and pay in full for at least one share in this credit union. The par value of shares shall be twenty-five (\$25.00). [The Board may authorize the issuance of membership shares, whose par value shall be twenty-five (\$25.00).] A member may terminate membership and/or withdraw monies upon giving notice of intent of not more than 60 days as prescribed by the Board.</li> <li>2. ARTICLE III, MEMBERSHIP, Section 3.5; shall include the following 'new' clause: The credit union reserves the right to terminate a membership if: <ul style="list-style-type: none"> <li>• Members fail to maintain at least one general share or membership share in the credit union thereby terminating their membership</li> <li>• The Credit Union may exercise its right to terminate membership if any member causes a financial loss to the credit union</li> <li>• The Board of Directors may expel a member pursuant to a written policy adopted by it. Any person expelled by the board shall have the right to request a hearing, in writing, before the board to reconsider the expulsion.</li> </ul> </li> <li>3. ARTICLE VI, BOARD OF DIRECTORS, section 6.5, amend to read: If a director fails to attend three (3) regular meetings of the Board of Directors [in a calendar year], or otherwise fails to perform any of the duties devolving upon the position of director, that office shall be declared vacant, unless excused for cause by the board.</li> </ol> <p>Mr. McEvoy called for a motion to ratify the amendments to the bylaws.</p>	Chairman McEvoy requested a motion to ratify the amendments of the Bylaws. MB Gittings made a motion to approve the ratification of our Bylaws. Second by A. Villar. Motion Carried.
MEMBER COMMENTS	Director Hardy, echoed by fellow volunteers, thanked the staff for their efforts. Chairman McEvoy stated the volunteers are always open to member feedback and also thanked the staff for their continued efforts.	
DOOR PRIZES	Several door prizes were given away through a random selection of Annual Reports which had specially designated winning tags.	
ADJOURNMENT	Meeting adjourned at 9:25am	Director Hardy made a motion to adjourn; second by SC Chair Weaver.



## CHAIRMAN AND PRESIDENT/CEO REPORT

First American Credit Union remains committed to the philosophy of ‘people helping people’ by assisting you (and your families) with all of your financial endeavors. It is our mission to create financial independence, promote diversity, and assist hard-working families in the communities we serve. As Chairman of the Board of Directors, I am pleased to inform you our assets continued in a positive trend, growing to just under \$111MM. We remain well-capitalized holding over \$8.3MM in Capital as of December 31, 2015.

The credit union expanded its footprint in 2015 by adding three branch locations. In April, the credit union opened the doors to the Tse Bonito, NM branch to better serve the Navajo Nation. The building, which has a 4-bay drive-up service, was dedicated to long-time volunteer and Board Director, Joseph Hardy. Mr. Hardy has been serving the membership since 1970. Thank you Mr. Hardy for your leadership and long-term vision.

First American opened a retail branch on the Tohono O’odham Nation to assist the Sells, AZ community after a big box bank up-

rooted suddenly. In cooperation with the executive and district leadership from the Tohono O’odham Nation and the Arizona Department of Financial Institutions, the credit union was able to garner a swift approval to provide financial services to a deserving community.

And in late October, our working cooperative opened our first Loan Center to provide our communities financial







education and access to short and long-term loans—from payday alternatives to home equities; from personal to auto loans.

Throughout the year, the credit union actively sponsored many great causes in the communities we serve. Examples include the Pinal County Veteran's Memorial Foundation, the Navajo Nation and Tohono O'odham Nation Rodeos, the Casa Grande Youth Commission, Valley Humane Society, Against Abuse, Friends of the Arts, as well as local schools and professional associations.



The credit union and its dedicated volunteers continue to work to the best of our ability to meet and exceed your needs. From our humble beginnings in 1962 in Window Rock, to our evolving locations in Casa Grande, Gallup, Sells and Tse Bonito, we remain 'people helping people'. After all, *"we're just like you!"*

Sincerely,

JR McEvoy  
Chairman, Board of Directors

Anthony T. Walker  
President/CEO





## TREASURER'S REPORT

In 2015, First American Credit Union solidified its status as a stable and secure financial institution for our members—providing our membership with a strong financial cooperative upon which you can rely. Members wisely sought the safety and soundness of First American, as evidenced as follows:

### STATEMENT OF FINANCIAL CONDITION - YEAR ENDING DECEMBER 31, 2015

<b>ASSETS</b>	<b>YTD 2015</b>	<b>YTD 2014</b>	<b>\$ VARIANCE</b>	<b>% VARIANCE</b>
<i>Cash &amp; Equivalents</i>	18,308,915	8,724,584	9,584,330	109.85
<i>Investments</i>	23,997,834	26,286,803	-2,288,969	-8.71
<i>Loans - Consumer</i>	59,027,370	69,316,496	-10,289,126	-14.84
<i>Loans - Real Estate</i>	7,070,740	1,541,086	5,529,654	358.82
<i>Less Allowance for Loan Loss</i>	-936,956	-1,162,142	225,186	19.38
<b>TOTAL LOANS</b>	65,161,154	69,695,440	-4,534,286	-6.51
<i>Accounts Receivable</i>	15,326	-26,901	42,226	156.97
<i>Accrued Income</i>	277,717	204,746	72,971	35.64
<i>NCUSIF</i>	805,726	940,995	-135,269	-14.38
<i>Prepaid &amp; Deferred Expenses</i>	142,757	173,664	-30,907	-17.8
<i>Land &amp; Building</i>	1,175,236	868,505	306,731	35.32
<i>FF&amp; E and Leasehold Improvements</i>	999,089	465,862	533,227	114.46
<i>All Other Assets</i>	113,645	175,957	-62,311	-35.41
<b>TOTAL ASSETS</b>	110,997,398	107,509,653	3,487,745	3.24
<b>LIABILITIES AND EQUITY</b>				
<i>Accounts Payable</i>	484,968	1,958,262	-1,473,294	-75.23
<i>Dividends Payable</i>	15,823	0	15,823	0
<i>All Other Liabilities</i>	661,378	545,194	116,184	21.31
<i>Regular Shares</i>	22,027,907	21,490,067	537,839	2.5
<i>Share Drafts</i>	15,375,869	10,444,686	4,931,184	47.21
<i>Other Shares</i>	64,063,457	65,359,118	-1,295,661	-1.98
<b>TOTAL SHARES</b>	101,467,233	97,293,871	4,173,362	4.29
<i>Equity &amp; Reserve Accounts</i>	8,367,996	7,712,326	655,670	8.5
<b>TOTAL LIABILITIES AND EQUITY</b>	110,997,398	107,509,653	3,487,745	3.24



*We're just like you!*



CONSOLIDATED INCOME STATEMENT - YEAR ENDING DECEMBER 31, 2015

	YTD 2015	YTD 2014	\$ VARIANCE	% VARIANCE
<b>INCOME</b>				
Loan Income	4,264,288	3,808,720	455,568	11.96
Investment Income	343,783	339,303	4,480	1.32
Fee Income	3,404,402	3,692,878	-288,476	-7.81
Other Income	207,248	36,030	171,217	475.2
<b>TOTAL INCOME</b>	<b>8,219,722</b>	<b>7,876,931</b>	<b>342,790</b>	<b>4.35</b>
<b>EXPENSES</b>				
Compensation & Benefits	2,800,016	2,604,855	195,161	7.49
Office Operations	2,061,986	1,714,948	347,038	20.24%
Loan Servicing	419,444	476,772	-57,328	-0.120241961
Professional & Examination Services	542,967	476,095	66,872	0.140459362
Provision for Losses	772,713	1,290,352	-517,639	-40.12
Other Operating Expenses	172,486	346,130	-173,644	-0.501672782
<b>TOTAL EXPENSES</b>	<b>6,769,612</b>	<b>6,909,150</b>	<b>-139,538</b>	<b>-2.02</b>
Member Dividends	713,351	741,941	-28,590	-3.85
Non-Operating (Income)/Expense	0	-14,826	14,826	100
<b>NET INCOME</b>	<b>736,759</b>	<b>240,666</b>	<b>496,093</b>	<b>206.13</b>



## SUPERVISORY COMMITTEE REPORT

The Supervisory Committee is appointed by the Board of Directors, but works independently of the Board for the purpose of ensuring accurate records and protection of members' funds. They assume the responsibility by ensuring that a quality system of checks and balances is maintained. The committee also utilizes the support of independent auditors to review selected areas of the credit union operations on an ongoing basis. To meet this objectives the committee:

- Arranges for and oversees audits
- Ensures federal and state regulations, as well as credit union bylaws, are followed
- Reviews internal audit reports and other documentation
- Confirms financial reporting obligations are met
- Checks internal control policies and procedures

The committee retained the services of a professional outside certified public accounting firm, Orth, Chakler, Murname & Company CPAs, to perform an annual audit. Additionally, the National Credit Union Administration (NCUA) and the Arizona Department of Financial Institutions, our regulatory agencies, have conducted thorough examinations of the credit union's financials and operations.

The Supervisory Committee, in conjunction with the Board of Directors, executive management and independent auditors continues to ensure the credit union is managed in a fiscally safe manner and that the financial statements presented in this annual report fairly represent the condition of First American Credit Union at the year end 2015.

The Supervisory Committee thanks the Board of Directors, executive management, staff and our members for their assistance and cooperation throughout 2015.



Janice Weaver, Chair



Charles Walton Sr.



Linda Kirkpatrick



Jim Dinkle

## CREDIT MANAGER REPORT

First American Credit Union's goal is to be a safe and stable financial institution for our members. As such, the Board of Directors annually appoints a Credit Manager to oversee the lending activity and provide reports as requested.

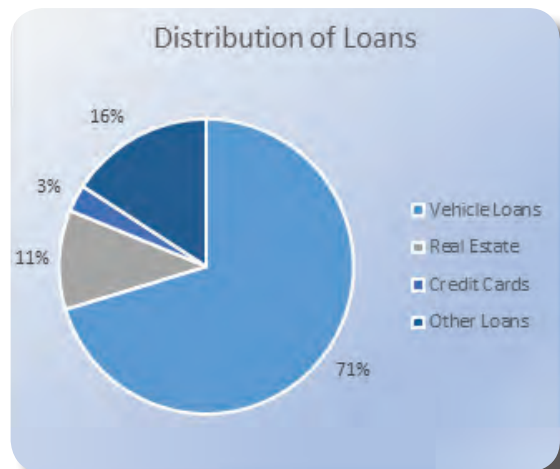
The Credit Manager met regularly with the Board of Directors throughout 2015 to ensure this credit union is operating within established lending policies and guidelines. Economic challenges were still present in 2015. Through constant review and diligent attention to loan underwriting guidelines and loan portfolio management, First American did its best to meet our members' borrowing needs without compromise on underwriting guidelines to ensure the overall health of the credit union.

The credit union funded \$35,719,451 in consumer loans and \$5,875,338 in first mortgage loans in 2015.

First American Credit Union strives to be our members' primary resource for their borrowing needs. We remain committed to providing members with flexible and innovative loan products (and services) to meet the financial needs of a changing economy and lifestyle.



Vehicle loans make up the largest percentage of our loan portfolio.





## NOMINATING COMMITTEE REPORT

It is the duty of the Nominating Committee to nominate at least one member for each open position, with the election held at the Credit Union's Annual Meeting. The Nominating Committee received and approved the following individuals to serve on the Board of Directors and believes, to the best of their ability, are qualified and agreeable to have their name placed in nomination:

- **JR McEvoy**

Mr. McEvoy recently retired from The Mahoney Group as an owner/officer/board member after thirty-two years of dedicated service. During his tenure, the insurance provider expanded its customer base to Arizona, Nevada, New Mexico, Utah, Washington, and California via twelve branches.

Rooted in the Casa Grande community, Mr. McEvoy was a foundation member and Board of Trustee with the former Casa Grande Regional Medical Center and former board member of Access Arizona. He has served the First American Credit Union since 2007.



JR McEvoy

Mr. McEvoy, who attended both Central Arizona College and the University of Arizona, is married to wife, Deborah, and has five grandchildren. Mr. McEvoy enjoys tennis, hiking, skiing, travel, and spectator sports.

- **Janice Weaver**

Ms. Weaver has lived in Casa Grande since 1954 watching the town grow from one stoplight at the corner of Florence and Second Streets to many more than we can count today. Ms. Weaver was a career banker, starting as a part-time teller/bookkeeper and later advancing to Vice-President of Operations.

During her thirty-year-plus career, she was part of team that started two financial institutions—one in Casa Grande and one in Mesa. In addition to operational and investment activities, she was a Security, IT, and Bank Secrecy Act (BSA) Officer. She enjoyed working with the public and in particular, enjoyed working with the Native American Community in Maricopa.



Janice Weaver

Ms. Weaver currently serves as Chairperson of the Supervisory Committee. She is married to Charles Weaver and they have three children and seven grandchildren. When not volunteering, she enjoys spending time in the White Mountains sewing and cross-stitching quilts.

- **Anthony Walker**

Mr. Walker is the President and Chief Executive Officer of First American Credit Union. He currently serves as a Director on the Board. Previously, he was the President and Chief Executive Officer of NARFE Premier Federal Credit Union in Alexandria, Virginia.

Mr. Walker, who earned his M.B.A. in 2003, is a member of the Credit Union Executive Society and Society for Human Resource Management. In August, he will earn his Certified Chief Executive Designation—a three-year program delivered by The Wharton School, University of Pennsylvania, the Samuel Curtis Johnson School of Management, Cornell University, and the Darden School of Business, University of Virginia.

Originally from the Shenandoah Valley in Virginia, Mr. Walker resides in Casa Grande, AZ with his wife, Annabelle, and two children—three-year old Addison Shea and seven-month old Warren Sergio.



Anthony Walker

The nominees will be declared elected by general consent, acclamation or voice vote at the Annual Meeting on April 20, 2016.

Respectfully submitted,

Cliff Kinser  
Linda Kirkpatrick  
MaryBeth Gittings



## VOLUNTEER BOARD OF DIRECTORS

With sincerest gratitude, we recognize our Board of Directors and Supervisory Committee for devoting their time, energy, and talents in order to serve First American Credit Union and its members.



Chairman  
JR McEvoy



Vice Chairman  
Joseph Hardy



Treasurer  
Sylvia Mejia



Secretary  
Cliff Kinser



Director  
Janice Weaver



Director  
Anthony Walker









## Locations

***Pinal Branch***  
***1001 N Pinal Ave***  
***Casa Grande, AZ 85122***

***Tse Bonito Branch***  
***1584 Highway 264***  
***Tse Bonito, NM 87301***

***Sells Branch***  
***Tohono Plaza***  
***1 Main St E, Ste 113***  
***Sells, AZ 85634***

***Gallup Branch***  
***Mesa View Plaza***  
***1375 N Highway 491***  
***Gallup, NM 87301***

***New  
Location!***

***Loan Center***  
***958 E Rodeo Rd, Ste 16***  
***Casa Grande, AZ 85122***

**520.836.8848**  
**800.759.9442**

**FirstAmerican.org**



Your Savings Federally Insured to at least \$250,000  
and backed by the full faith and credit of the United States Government

**NCUA**

National Credit Union Administration, a U.S. Government Agency



We Do Business in Accordance with  
The Federal Fair Housing Law and  
The Equal Credit Opportunity Act