

ANNUAL REPORT



KIRTLAND
FEDERAL CREDIT UNION

EMPOWERING FINANCIAL INDEPENDENCE



Mission

Exceed the financial service expectations of our members—principally those in the military and in organizations who support the defense of our nation.

THE 18-YEAR WAIT IS OVER: THE BASE EXCHANGE BRANCH



The first new Kirtland Federal Credit Union branch in 18 years opened its doors in January 2019 following months of painstaking planning and construction. The new micro-branch (*a mere 735 square feet!*) is a departure from traditional branches, packing a major innovative punch with updated décor and a brand-new concept of member service. Greeted at the door, a member can take care of every need with a single employee—loans, withdrawals, deposits, and more.

Core Values



Trustworthiness



Respect



Responsibility



Fairness



Caring



Citizenship

Vision

Recognized by our members as their most trusted financial partner; continuing to grow and adapt to changes in our membership, marketplace and environment.

Proud Accomplishments



Home Sweet Home

The new Home Loan Center opened its doors this past spring and centralized Kirtland Federal Credit Union's mortgage and home loan services. From one centralized location on Jefferson and Osuna, the home loan team meets with members, networks with real estate agents and other professionals, and showcases the amazing mortgage and home loan programs at Kirtland FCU!

Getting A Jump

Along with the Home Loan Center, another great innovation came through for our home loan team—the Jump Start program. The program—a Kirtland FCU exclusive and the only program of its kind in the area—provides a grant up to \$6,000 for the first-time home buyers (or those who haven't owned a home in the past four years) toward the down payment on a new home.

An advertisement for the Jump Start program. It features a photograph of a young couple jumping joyfully on a couch. To the right of the photo, the text reads: "A new home and up to \$6,000 for a down payment!". Below this, there is a small house icon and a line of fine print. At the bottom, there is a dark blue banner with the text "APPLY TODAY! KirtlandFCU.org/JumpStart" and the Kirtland Federal Credit Union logo and name.

In The Community



CLUB F.I.T. SCHOLARSHIPS

Three college-bound graduates took home the Kirtland FCU Club F.I.T. Scholarship! This year's winners were:

- 1st Place: Celeste Martinez (\$2,000)
- 2nd Place: Elizabeth Randolph (\$1,500)
- 3rd Place: Hannah Linder (\$1,000)



STAND DOWN 2019

Kirtland FCU was a proud sponsor of the Veterans Integration Center's 2019 Stand Down event. This is a one- to three-day opportunity to serve those who have served by providing veterans who are homeless or low income with supplies and services such as food, shelter, clothing, health screenings, and benefits counseling from a single location.

MONTH OF MONDAYS

The employee-funded quarterly donations were presented to CLN Kids NM, S.A.F.E. House, and Crossroads for Women.



SHOES FOR KIDS

For the 2nd year, we were a proud sponsor of the KRQE Cares Shoes For Kids campaign, fitting more than 3,500 kids for new shoes, taking donations at phone banks, and more.



ALTA MIRA

Kirtland FCU made a \$3,500 donation to Alta Mira NM for the purchase of a new hearing screening device!



UNITED WAY

In 2019, Kirtland FCU and our employees continued to support the United Way of Central New Mexico.

Chairman's Report

As we enter a new decade, Kirtland Federal Credit Union remains committed to fulfilling the financial service needs of you, our members. Grounded in a set of core values, our strategic mission has focused on exceptional service to the military and federal civilians employed at Kirtland Air Force Base as well as base contractors who support the military and their families in and around the Albuquerque area and beyond.

Your board of directors is pleased to report that Kirtland Federal Credit Union today is a profitable, well-capitalized credit union with a low-cost structure, providing outstanding value to our members in terms of competitive loan and deposit rates and low service fees. During 2019, Kirtland FCU achieved the highest rating for safety and soundness from our federal regulator as well as an exception-free audit from our national accounting firm.

Kirtland FCU's financial performance provides us the competitive advantage to meet the challenges ahead in the ever-changing financial services industry. But our greatest competitive advantage remains you, our loyal members, who place your trust every day in Kirtland FCU for your financial service needs—whether that be a checking

account, home mortgage, car loan, credit card, certificate of deposit, money market account, or financial planning services.

To meet our members' needs, Kirtland FCU provides broad access to financial services at three full-service branches, a new branch at the BX, access to 30,000 fee-free ATMs, a full-service call center, a new home loan center, and 24/7 digital banking via desktop and mobile phone. During 2019, we expanded access to financial services with the opening of the BX branch in late January and the opening of our home loan center at Osuna and Jefferson NE in April. We continue to make improvements to our digital channels to make it easier for members to get a loan or to access real-time account information. Many of our enhancements for cyber security remain unseen to most members, but be assured that your credit union places a high priority on the security of your account and personal data.

In spring of 2020, Kirtland FCU will open a new branch at Coors and St. Joseph's Drive NW to better serve our members on the west side of Albuquerque. Come by and visit us. We are also actively searching for a site in Rio Rancho for an additional new branch, hopefully to open in the Fall of 2020. Kirtland FCU has



Brian McDonald
Chairman

secured property on Kirtland AFB at Texas and Louisiana for a future full-service branch. We will maintain our commitment of service to members who work and live on Kirtland AFB.

Your board of directors is committed to discerning a new growth strategy for Kirtland FCU while maintaining our strong tradition of “proud to be of service” to our existing members. The board and the executive leadership team will meet soon to assess the results of a months-long study conducted by outside experts, which will provide the data for decisions regarding the future strategic direction for Kirtland FCU. Stay tuned.

Meanwhile, Kirtland FCU remains committed to providing exceptional financial services to our members with broad access via bricks and mortar, phone center, ATM, and through digital channels. Contact us for your next home mortgage, car loan, or financial planning advice. Give us the opportunity to earn your continued trust.

Board of Directors



Matt Nixon
Vice Chair



Cheryl Lété
Secretary



Ray Wick
Treasurer



Michael Chase
Member



Lyn Kirkwood
Member



Mark Neice
Member

President's Report

On January 1, I replaced the calendar on my refrigerator with my new Kirtland FCU calendar. What jumped out to me was the year—**2020!** My first thought was not the year, but rather the eyesight vision standard of 20/20. I reflected momentarily on the significance of that coincidence before turning to my trusted iPhone (*hey, we're two decades into the 21st century now!*) and asking Siri: "What **IS** 20/20 vision?" The answer:

20/20 vision indicates the sharpness or clarity of vision at a distance. However, having 20/20 vision does not necessarily mean you have perfect vision! Other important skills, including peripheral awareness or side vision, eye coordination, depth perception, focusing ability and color vision, contribute to your overall visual ability. When it comes to our vision of who we are as Kirtland Federal Credit Union, the same definitions can apply.

We must strive to achieve clarity of purpose, in the past, the present, and in our future. As you read over our Annual Report, you will see

Kirtland Federal Credit Union was indeed prepared as we prevailed with stellar financial results this year, continuing our path of being safe, sound, and secure. But financial results alone do not always lead to success. The member experience plays a very important role. We must exceed your service expectations no matter where that interaction takes place—in person, on the phone, or online. Every experience should leave you confident that Kirtland Federal Credit Union is your trusted financial partner in helping you achieve financial independence.

Our Annual Report will reflect on our accomplishments of 2019. Our Board Chairman, Brian McDonald, gave you insight on our new facilities, upgraded technologies, and our continued support for the men, women and civilians who support our military efforts at Kirtland AFB. Kirtland FCU is a true community partner, both on base and within the Albuquerque community—and the needs are greater than ever. We're proud to serve **ALL** families, veterans and military both on and



off base through event sponsorships, support for our community's children with new shoes, socks, books and personal items, and our continued partnership with and support of the United Way, the CNM Foundation, and Folds of Honor. I am proud that we are able to give financially, but even more incredibly proud that our "Team Kirtland" employees are giving countless hours back to serving our community.

I hope for your continued support as Kirtland Federal Credit Union grows and continues to provide for both our military and non-military members. And thank you for your loyalty and commitment to Kirtland FCU. May you have a blessed 2020 with clear 20/20 vision.

Supervisory Committee's Report

The Kirtland Federal Credit Union Supervisory Committee ensures that financial statements are accurate and internal controls are effective to safeguard Kirtland FCU member assets. Additionally, the Committee adjudicates and oversees the resolution of member complaints concerning Kirtland FCU procedures and services. They provide an independent review and ensure complaint resolution. Your four-member committee—all volunteers—provides monthly reports to the Board of Directors and to the senior management team concerning these issues.

To ensure assets are protected, oversight of financial operations is one of the primary responsibilities

of the Kirtland FCU Supervisory Committee. The Committee employs the CPA firm Moss Adams LLP to conduct internal audits and ensure that processes are effectively protecting member accounts. The Supervisory Committee provides audit findings and recommendations to the Board and senior management for corrective action. This year we changed from CliftonLarsonAllen LLP to BKD (*formerly Baird, Kurtz & Dobson*) to conduct annual independent audits of financial statements.

We are pleased to report that Kirtland FCU's financial assets are properly safeguarded, and reports accurately represent its financial position; all based on internal and

external audit results. In concert with the six National Credit Union Administration (NCUA) supervisory priorities for 2019, the Committee continues to focus on, among other topics, cybersecurity, unauthorized access to member information (*information systems and assurance*), and Bank Secrecy Act compliance. In addition, financial operations and internal controls conform to Generally Accepted Accounting Principles, Kirtland FCU policies, and NCUA regulations.

— **Terry A. Franks, Chairman**

Other Committee Members:

Kimberly Fitzgerald
Michelle Perea
Michelle Kesler

Statements of Operations

December 31, 2019 and 2018

INTEREST INCOME	2019	2018
Interest on Loans	23,328,995	22,492,027
Interest on Investments	4,927,255	5,247,967
Total Interest Income	28,256,250	27,739,994
INTEREST EXPENSE		
Dividends on Members' Share and Savings Accounts	4,077,974	3,714,310
Interest on Borrowed Funds	1,856,607	2,283,770
Total Interest Expense	5,934,581	5,998,080
Net Interest Income	22,321,669	21,741,914
Provision for Loan Losses	2,217,512	2,888,839
Net Interest Income After Provision for Loan Losses	20,104,157	18,853,075
NON-INTEREST INCOME		
Fees and Charges	2,163,653	2,682,645
Other Non-Interest Income	4,046,088	3,861,974
Total Non-Interest Income	6,209,741	6,544,619
Total Income	26,313,898	25,397,694
NON-INTEREST EXPENSE		
Compensation and Benefits	11,740,579	11,056,004
Occupancy	1,157,529	1,000,222
Operations	5,951,340	5,576,767
Professional and Outside Services	1,700,156	1,512,361
Other Expense	475,140	1,064,342
Total Non-Interest Expense	21,024,744	20,209,696
Total Non-Operating Gains (Losses)	43,893	333,572
NET INCOME		
Net Income	5,333,047	5,521,570

Members



2019
47,592

2018
48,317

2017
48,329

Statements of Financial Condition

December 31, 2019 and 2018

ASSETS	2019	2018
Loans to Members, Net of Allowance for Loan Loss	538,190,357	525,709,757
Cash and Cash Equivalents	25,675,741	27,750,292
Investment Securities	202,793,661	218,902,004
Accrued Interest Receivable	2,219,999	2,332,005
Premises and Equipment	6,921,691	7,232,368
NCUSIF Deposit	6,281,527	6,301,672
Other Assets	1,921,958	1,276,846
Total Assets	784,004,934	789,504,944
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Members' Share and Savings Accounts	660,506,315	639,350,015
Accrued Interest Payable	376,178	318,705
Accrued Expenses and Other Liabilities	7,166,477	42,524,076
Total Liabilities	668,048,970	682,192,796
Members' Equity		
Regular Reserve	7,713,660	7,713,660
Undivided Earnings	108,242,304	99,598,488
Total Members' Equity	115,955,964	107,312,148
Total Liabilities and Members' Equity	784,004,934	789,504,944

Assets



2019
784 Million

2018
790 Million

2017
782 Million

Loans



2019
542 Million

2018
530 Million

2017
525 Million

Giving Back To The Community



Kirtland
Air Force Base

\$87,164



CNM Foundation and
Veteran Resource Center

\$22,500



New Mexico Museum
of Natural History

\$15,000



Assistance League
of New Mexico

\$10,000



United Way of Central
New Mexico

\$33,474



Charities and Organizations

Alta Mira

CLN Kids

Crossroads For Women

CYFD

Make-A-Wish Foundation

Shoes For Kids



Education and
Community Support

\$97,006



Kirtland FCU
Employee Donations

\$9,515

\$274,659

TOTAL CONTRIBUTIONS

WHY GIVE BACK?

Kirtland Federal Credit Union recognizes that a healthy community benefits us all. We're dedicated to empowering and strengthening our community through donations and volunteer hours.

WE'RE STRONGER TOGETHER.



President/CEO Tom Shoemaker helps load 23 Thanksgiving dinner kits, donated by employees, for distribution to families.

In the future, we want to
“live closer to our granddaughter”



What's **YOUR** next step?

A new job? A new grandbaby? Retirement? A move? You fill in the blank, and the Wealth Management Advisors at Kirtland Financial Services are here to help you plan your path.

PROTECTION PLANNING • TAX PLANNING • INVESTMENTS • RETIREMENT PLANNING • ESTATE PLANNING

Schedule your appointment today at
KirtlandFCU.org/Invest.



Securities and advisory services are offered through LPL Financial (LPL), a registered investment advisor and broker-dealer (member FINRA/SIPC). Insurance products are offered through LPL or its licensed affiliates. Kirtland Federal Credit Union and Kirtland Financial Services are not registered as a broker-dealer or investment advisor. Registered representatives of LPL offer products and services using Kirtland Financial Services, and may also be employees of Kirtland Federal Credit Union. These products and services are being offered through LPL or its affiliates, which are separate entities from, and not affiliates of, Kirtland Federal Credit Union or Kirtland Financial Services. Securities and insurances offered through LPL or its affiliates are:

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Any Other Government Agency

Not Credit Union Guaranteed

Not Credit Union Deposits
or Obligations

May Lose Value

