



# YEARS

## 2019 ANNUAL REPORT



**Stanford**  
FEDERAL CREDIT UNION

Federally Insured by NCUA

# PRESIDENT & BOARD CHAIR'S REPORT

---



Joan Opp, President/CEO

*2019 was a successful year, as we celebrated our 60th anniversary and continued improving the financial lives of our members. It was also an exciting year in innovation, as we launched a direct integration with TransferWise for international funds transfers and announced a new checking account partnership with Google.*

For over 60 years, Stanford FCU has been serving the Stanford Community! We continue to sustain strong growth, reaching almost \$3 billion in assets and 73,000 members in 2019. SFCU is now the 93rd largest credit union in the country. Our growth is a result of our mission to provide strong value to our membership. Value can be defined in terms of pricing, as well as the manner in which we serve our members.

In 2019 we expanded the Membership Rewards program to add a criteria for debit card usage (20 times a month) for engagement. In doing this, we added over 5,000 members to the program who now receive ATM rebates, rate discounts and other benefits. In 2019 we refunded \$390,000 in ATM fees and \$150,000 in other fees. We also had over 28,000 Ambassador and Partner members who benefited from premium deposit rates for Certificates and Money Market Accounts. Almost 40% of Stanford FCU's members meet the engagement criteria. As a non-profit financial cooperative, increased member engagement should result in stronger value for the member. It is our goal to deepen relationships with each member and become their primary financial institution so we can provide the best value and service.

We enhanced our value in 2019 by increasing rewards on three of our credit cards so cardholders earn 2X points on all dining purchases (including DoorDash). We also launched the direct integration with TransferWise for international funds transfers, providing significant value to our members by reducing transaction fees incurred through the traditional international wire transfer process.

We made several enhancements to our Online and Mobile Banking, including same-day ACH transfers, a new My Offers section with pre-qualified loan offers, the ability to edit recurring transfers, and Quick Links in our mobile app.

We deployed a new website in December 2019 to enhance the member and potential member experience. The objectives were to make it easier for members to find information, and to present more of the key features and benefits throughout the site.



Gregory Rosston, Board Chair

We continue to process a high volume of mortgages for our members and evaluate ways to modernize the process. In 2019 we completed a Request-for-Proposal (RFP) for a new mortgage system, and we will be migrating to a new system in 2020 that will allow us to significantly enhance the process.

We also opened a new Redwood City Branch in September of 2019 to increase our ability to serve our members in a physical location. The branch is open to the public, so members in the area can access it whether or not you're a Stanford employee working in Redwood City.

As we finalize the 2019 Annual Report, we find ourselves in an unprecedented environment with the COVID-19 pandemic and shelter-in-place orders. It seems appropriate to incorporate a message that Stanford FCU is here for our members. First, we have shifted our operations to ensure the safety of our staff and members, but we are open for business and responding to the financial needs of those in our

community. To that end, Stanford FCU has programs available to assist our members who may need emergency funds or loan deferments. Please contact us or go to [sfcu.org/covid19](https://sfcu.org/covid19).

Stanford FCU will continue to focus on the value we provide to our members, while continuing to be a fiscally responsible, safe and secure financial institution. We also strive for innovation, and to evolve our operations to make banking as seamless as possible. Our Board of Directors and Executive Team are dedicated to these objectives and will continue to strive to exceed our members' expectations. We value your trust in us!

# SUPERVISORY COMMITTEE & TREASURER'S REPORT

---

## Supervisory Committee Report | Neil Hamilton

The Supervisory Committee provides oversight of financial reporting and compliance activities and reports to Stanford FCU's Board of Directors. The Committee's primary responsibilities are:



Neil Hamilton, Chair

- ◆ Determining that management has maintained effective internal controls to achieve the credit union's financial reporting requirements;
- ◆ Ensuring that accounting records accurately reflect the credit union's operations and results;
- ◆ Reviewing the policies and control procedures established by the Board of Directors;
- ◆ Ensuring that management practices and policies continue to safeguard member assets; and
- ◆ Assessing the policies and control procedures that safeguard against errors, conflicts of interest, and fraud.

Based on the financial statements included in this report and the Committee's oversight work, I can confidently report that Stanford FCU was financially sound and operated in compliance with all state and federal regulations during 2019. This assessment is supported by the regulatory examination performed by the National Credit Union Administration, the independent audit performed by the accountancy firm of Clifton Larson Allen, LLP, as well as the internal audits conducted by the accounting firm of Crowe, LLP. The Committee also welcomes and reviews member comments and inquiries regarding Stanford FCU's operations and policies. Members may contact us at [supervisorycommittee@sfcu.org](mailto:supervisorycommittee@sfcu.org).

## Treasurer's Report | Tana Hutchison



Tana Hutchison, Treasurer

2019 was a strong financial year for Stanford FCU, as supported by the audited financial statements. Net income for the year ending December 31, 2019 was \$31.3 million with a Return on Assets of 1.12%. The earnings are created by a strong loan to deposit ratio supported by controlled operating expenses and low loan losses thanks to the strength of our members. Our fee income remains well below our peers as we strive for lower fees and we rebated over \$540,000 of fees to our Partner and Ambassador members during the year.

The loan portfolio ended 2019 with a balance of just under \$2 billion (net of allowance), a net increase of nearly \$112 million from the prior year. This indicates that we were able to fund the borrowing needs of thousands of members, including funding new loans of over \$510 million in residential mortgages and home equity loans, over \$101 million in business loans, and almost \$75 million in new consumer loans.

The credit union ended the year with just under \$3 billion in assets, which was a 12.5% increase from the prior year. Deposit balances grew 13.8% to \$2.3 billion.

# STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

INTEREST INCOME	2019	2018
Interest on Loans	\$ 79,571,915	\$ 72,421,266
Interest on Investments and Cash Equivalents	19,070,465	12,752,648
<b>TOTAL INTEREST INCOME</b>	<b>98,642,380</b>	<b>85,173,914</b>

INTEREST EXPENSE		
Dividends Paid on Members' Shares	20,260,229	11,730,106
Interest on Borrowed Funds	8,103,212	5,406,618
<b>TOTAL INTEREST EXPENSE</b>	<b>28,363,441</b>	<b>17,136,724</b>
<b>NET INTEREST INCOME</b>	<b>70,278,939</b>	<b>68,037,190</b>
Provision for Loan Losses Expense	2,900,000	3,500,000
<b>NET INTEREST INCOME After Provision for Loan Losses</b>	<b>67,378,939</b>	<b>64,537,190</b>
Other Non-Interest and Fee Income	8,042,185	11,737,290
<b>TOTAL NET INTEREST AND FEE INCOME</b>	<b>75,421,124</b>	<b>76,274,480</b>

GENERAL AND ADMINISTRATIVE EXPENSES		
Compensation and Benefits	26,718,075	24,862,018
Office Operations and Occupancy	9,269,938	9,077,686
Other Operating Expenses	8,180,402	10,073,475
<b>TOTAL OPERATING EXPENSES</b>	<b>44,168,415</b>	<b>44,013,179</b>

NET INCOME		
<b>TOTAL NET INCOME</b>	<b>31,252,709</b>	<b>32,261,301</b>
<b>RETURN ON AVERAGE ASSETS</b>	<b>1.12%</b>	<b>1.30%</b>

GENERAL CAPITAL REQUIREMENTS			
Amount Required to Be Classified as "Adequately Capitalized"	6.00%	176,557,727	157,002,017
Amount Required to Be Classified as "Well Capitalized"	7.00%	205,984,015	183,169,020
<b>ACTUAL REGULATORY NET WORTH</b>		<b>285,207,004</b>	<b>253,954,295</b>
		<b>9.69%</b>	<b>9.71%</b>

# STATEMENTS OF FINANCIAL CONDITION

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

ASSETS	2019	2018
Cash and Cash Equivalents	\$ 322,541,060	\$ 309,373,751
Investments	570,589,233	370,720,476
Loans, Net of Loan Loss Allowance	1,990,405,826	1,878,699,339
Accrued Interest Receivable on Loans	6,835,730	6,634,961
Property & Equipment, Net of Depreciation	16,782,753	17,208,282
National Credit Union Share Insurance Fund Deposit	18,488,136	16,964,799
Other Assets	16,986,050	17,098,676
<b>TOTAL ASSETS</b>	<b>2,942,628,788</b>	<b>2,616,700,284</b>

LIABILITIES & EQUITY		
<b>MEMBERS' SHARES</b>		
Share Drafts	600,459,513	548,090,200
Regular Shares	441,084,958	366,751,201
IRA Shares	11,362,507	13,210,263
Health Savings Accounts	14,999,323	15,041,483
Share Certificates	690,589,571	474,283,101
IRA Certificates	39,976,031	35,704,256
Money Management Accounts	506,795,904	573,390,998
<b>TOTAL MEMBERS' SHARES</b>	<b>2,305,267,807</b>	<b>2,026,471,502</b>
Accrued Expenses and Other Liabilities	14,707,693	13,667,740
Borrowed Funds	335,000,000	325,000,000
<b>TOTAL LIABILITIES</b>	<b>2,654,975,500</b>	<b>2,365,139,242</b>

MEMBERS' EQUITY		
Retained Earnings, Substantially Restricted	285,207,004	253,954,295
Accumulated Other Comprehensive Income/(Loss)	2,446,284	(2,393,253)
<b>TOTAL MEMBERS' EQUITY</b>	<b>287,653,288</b>	<b>251,561,042</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>2,942,628,788</b>	<b>2,616,700,284</b>



**Stanford**  
FEDERAL CREDIT UNION

sfcu.org

650.723.2509 | 888.723.7328

P. O. Box 10690

Palo Alto, CA 94303-0843

## BOARD OF DIRECTORS

Gregory Rosston  
Chair

Dr. Shirley Everett  
Vice Chair

Tana Hutchison  
Treasurer

Dan Kolkowitz  
Secretary

Jonathan Dreyfus

Curtis Feeny

Susan Kingston

Joan Opp

Robert Reidy

---

## DIRECTOR EMERITUS

Jane Duperrault

Jerry Jobe

Dr. Frank Sarnquist

Timothy Warner

---

## EXECUTIVE STAFF

Joan Opp  
President/CEO

Paul Jockisch  
SVP/Chief Financial Officer

Brian Thornton  
SVP/Chief Lending Officer

Mark Wilcox  
SVP/Chief Operating Officer

Brian Zeitler  
SVP/Chief Information Officer

---

## SUPERVISORY COMMITTEE

Neil Hamilton  
Chair

Desmond Low-Kum  
Secretary

Michael Tran Duff

David MacKenzie