

# **2018** ANNUAL REPORT



**Stanford**  
FEDERAL CREDIT UNION

FEDERALLY INSURED BY NCUA

# PRESIDENT & BOARD CHAIR'S REPORT

*In 2018, Stanford FCU continued to focus on providing value to our members, building our financial strength, and improving the financial lives in our community. We introduced new products, new services, and new interactive online financial education modules to benefit our members.*



Joan Opp, President/CEO

Last October, Stanford FCU was recognized by an independent research firm as the top credit union in California measured by delivering value to our members. This value score encompasses our great loan and deposit rates as well as our minimal fees. We are proud of this accomplishment because it validated our continual efforts to give back to our members in as many ways as possible.

Last year we accomplished many “give back” initiatives. We introduced two new high-rate deposit accounts and a new Student Checking account with absolutely no fees. We eliminated the balance tiers in our Certificate and Money Market Accounts so the smallest saver earns the same high interest rate as a large depositor. We made several enhancements to Online and Mobile Banking, including an improved wire transfer process and three new services: Card Controls, CardSwap and Track & Pay Bills. We launched a simple new

mortgage application process and a new Refer A Friend program that pays \$50 to both the referring and new member. We also partnered with Enterprise Car Sales to provide members with an additional 1% auto loan interest rate reduction when they purchase from Enterprise and finance with us, and we lowered the interest rate on our Stanford Alumni and Stanford Athletics® Fan Rewards credit cards by a full 1% (in an environment when interest rates are rising).

In conjunction with our give back efforts, our financial performance in 2018 demonstrates the strength of your not-for-profit, member-owned financial cooperative, demonstrating that we serve our members in every way. As a result of strong lending performance and efficient operations, our Net Income was \$32.3 million in 2018, up from \$23.9 million in 2017. Correspondingly, our Net Worth Ratio grew to 9.71% of assets in 2018, up from 9.41% in 2017.



Gregory Rosston, Board Chair

In 2018 we also continued to deepen our relationships with long-time partners like the Stanford Alumni Association, Google and Tesla, and began new partnerships with Amazon and Visa. We are excited to serve all of these members and enhance the financial lives of even more individuals. Our membership grew to just under 69,000 members in 2018.

Finally, financial education continues to be a high priority at Stanford FCU. In 2018 we focused more resources on Stanford University students and deepened our partnership with Mind Over Money, the University's student financial education program. We launched new interactive online financial education modules for all members on our website, and conducted nearly 200 free financial education seminars throughout our community.

# SUPERVISORY COMMITTEE & TREASURER'S REPORT



Neil Hamilton, Chair

## 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:

- ✓ 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 2018. 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).



Tana Hutchison, Treasurer

## Treasurer's Report | Tana Hutchison

2018 was a strong financial year for Stanford FCU, as supported by the audited financial statements. Net income for the year ending December 31, 2018 was \$32.3 million with a Return on Assets of 1.30%, mostly due to loan originations exceeding expectations. As a testament to maintaining minimal fees for members, our Fee Income represented only 1.1% of Earnings and we rebated over \$380,000 in fees to our Partner and Ambassador members during the year.

The loan portfolio ended 2018 with a balance of over \$1.88 billion (net of allowance), a net increase of nearly \$300 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 nearly \$500 million in real estate loans and almost \$100 million in new consumer loans.

The credit union ended the year with just over \$2.6 billion in assets, which was an 11.1% increase from the prior year. Stanford FCU is in the top 100 credit unions in the nation by asset size. Deposit balances from our members increased to over \$2.0 billion for the first time.

# STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

## INTEREST INCOME

	2018	2017
Interest on Loans	\$ 72,421,266	\$ 56,162,385
Interest on Investments and Cash Equivalents	12,752,648	12,701,084
<b>TOTAL INTEREST INCOME</b>	<b>85,173,914</b>	<b>68,863,469</b>

## INTEREST EXPENSE

Dividends Paid on Members' Shares	11,730,106	8,755,466
Interest on Borrowed Funds	5,406,618	2,447,421
<b>TOTAL INTEREST EXPENSE</b>	<b>17,136,724</b>	<b>11,202,887</b>
<b>NET INTEREST INCOME</b>	<b>68,037,190</b>	<b>57,660,582</b>
Provision for Loan Losses Expense	3,500,000	2,070,000
<b>NET INTEREST INCOME After Provision for Loan Losses</b>	<b>64,537,190</b>	<b>55,590,582</b>
Other Non-Interest and Fee Income	11,737,290	10,277,211
<b>TOTAL NET INTEREST AND FEE INCOME</b>	<b>76,274,480</b>	<b>65,867,793</b>

## GENERAL AND ADMINISTRATIVE EXPENSES

Compensation and Benefits	24,862,018	23,453,303
Operations	7,450,849	6,630,045
Other General and Administrative	11,700,312	11,925,258
<b>TOTAL OPERATING EXPENSES</b>	<b>44,013,179</b>	<b>42,008,606</b>

## NET INCOME

<b>TOTAL NET INCOME</b>	<b>32,261,301</b>	<b>23,859,187</b>
<b>RETURN ON ASSETS</b>	<b>1.30%</b>	<b>1.07%</b>

## GENERAL CAPITAL REQUIREMENTS

Amount Required to Be Classified as "Adequately Capitalized"	6.00%	157,002,017	141,368,318
Amount Required to Be Classified as "Well Capitalized"	7.00%	183,169,020	164,929,705
<b>ACTUAL REGULATORY NET WORTH</b>		<b>253,954,295</b>	<b>221,692,994</b>
		<b>9.71%</b>	<b>9.41%</b>

# STATEMENTS OF FINANCIAL CONDITION

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

ASSETS	2018	2017
Cash and Cash Equivalents	\$ 309,373,751	\$ 190,308,882
Investments	370,720,476	531,896,622
Loans, Net of Loan Loss Allowance	1,878,699,339	1,580,398,366
Accrued Interest Receivable on Loans	6,634,961	5,883,989
Property & Equipment, Net of Depreciation	17,208,282	18,352,443
National Credit Union Share Insurance Fund Deposit	16,964,799	15,937,207
Other Assets	17,098,676	13,361,127
<b>TOTAL ASSETS</b>	<b>2,616,700,284</b>	<b>2,356,138,636</b>

LIABILITIES & EQUITY	2018	2017
<b>MEMBERS' SHARES</b>		
Regular Shares	366,751,200	343,244,653
Health Savings Accounts	15,136,214	13,989,480
Share Drafts	548,090,199	520,039,889
IRA Shares	13,210,263	14,924,984
IRA Certificates	35,704,256	37,050,967
Money Management Accounts	573,296,270	645,012,734
Share Certificates	474,283,099	365,303,500
<b>TOTAL MEMBERS' SHARES</b>	<b>2,026,471,501</b>	<b>1,939,566,207</b>
Accrued Expenses and Other Liabilities	13,667,741	13,258,935
Borrowed Funds	325,000,000	182,500,000
<b>TOTAL LIABILITIES</b>	<b>2,365,139,242</b>	<b>2,135,325,142</b>

<b>MEMBERS' EQUITY</b>		
Retained Earnings, Substantially Restricted	253,954,295	221,692,994
Accumulated Other Comprehensive Income/(Loss)	(2,393,253)	(879,500)
<b>TOTAL MEMBERS' EQUITY</b>	<b>251,561,042</b>	<b>220,813,494</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>2,616,700,284</b>	<b>2,356,138,636</b>

## BOARD OF DIRECTORS

Gregory Rosston  
Chair

Dr. Frank Sarnquist  
Vice Chair

Tana Hutchison  
Treasurer

Dan Kolkowitz  
Secretary

Dr. Shirley Everett

Curtis Feeny

Susan Kingston

Joan Opp

Robert Reidy

## ADVISORY BOARD

Jon Dreyfus

Jerry Jobe

## EMERITUS BOARD MEMBERS

Jane Duperrault

Jerry Jobe

Timothy Warner

## EXECUTIVE STAFF

Joan Opp  
President/CEO

Amber Danford  
SVP/Chief Operation Officer

Brian Thornton  
SVP/Chief Lending Officer

Brian Zeitler  
SVP/Chief Information Officer

Paul Jockisch  
SVP/Interim Chief Financial Officer

## SUPERVISORY COMMITTEE

Neil Hamilton  
Chair

Susan Kingston  
Desmond Low-Kum

David MacKenzie  
Archna Mehta



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