



# 2022 ANNUAL REPORT



## FROM THE CHAIRMAN & CEO

Last year, marked Financial Partners' 85th anniversary, with 88,000 members, assets at \$2.3 billion strong, and branches as far north as San Francisco and San Diego to the south. Your Credit Union has come a long way since its beginnings when the first credit union manager, Sproul McCloy provided financial help to employees of North American Aviation in a small wooden shack in the NAA parking lot. While much has changed, the Credit Union is still guided by the original pioneering, cooperative spirit of its founders, and remains focused on the vision of "Building Lifetime Financial Partnerships."

2022 was a year of transition, as the credit union grew at a phenomenal pace expanding assets by \$371 million while welcoming 9,000 new members. After two years of dealing with the pandemic, the economy was roaring back with historically low unemployment, low interest rates, and what was hoped to be short-term supply chain challenges. It all changed with the Ukraine conflict and subsequent spike in energy prices, labor shortages, and accelerating inflation which invited the Federal Reserve's aggressive action in raising the interest rates. In anticipation of a potential recession, management took several proactive actions to address the inevitable impact of narrowing interest margins by adjusting allocated resources and investment priorities to further insulate the credit union against the adverse effects of the general market dynamics.

**Excellent Service & Real Value.** As a not-for-profit institution, Financial Partners was founded on the simple idea of focusing on members' financial wellbeing and excellence in value-based service, which has resulted in greater participation and deeper relationships with you, the Member-Owners. We strive to Do Well by Doing Right by You!



Serving members at the Inglewood, North American Aviation Federal CU, 1937

We are extremely proud of being named a Best In State Credit Union by Forbes and, based on a recent Credit Union National Association report, determined to have provided over \$19.2 million in direct financial benefits to members through higher savings yields, lower loan rates, and fewer fees - which equates to \$470 per member household, compared to the same products from other financial institutions.

Industry accolades pale in importance to the direct feedback from Member-Owners. We ended the year with a record-high Net Promoter Score (NPS) of 80, well above the bank average of 34<sup>(1)</sup>. NPS is the gold standard used across a variety of industries to measure service quality. The results are collected by a third-party survey, along with ongoing member feedback which is used to improve service delivery. We appreciate and thank the members who shared their valuable feedback.

## TREASURER'S REPORT

2022 proved to be a challenging year for the financial industry with record inflation and dramatic increases in interest rates. Over the last year, your Credit Union worked hard to keep the focus squarely on member service and managing credit quality and rising operating expenses while making prudent long-term investments in technology and infrastructure. During the year, while operating income was muted due to shifts in the market, assets grew by \$371 million or 19%, reaching \$2.29 billion, a new milestone.

The Credit Union ended 2022 with total equity of \$140.2 million, which was enhanced by an additional \$35 million in supplementary capital. These funds were received through the U.S. Treasury Department's Emergency Capital Investment Program (ECIP) available to CDFI financial institutions. Although a debt instrument, they qualify for regulatory capital treatment. The net worth ratio was 8.43%, comfortably above the "Well Capitalized level", established by the National Credit Union Administration.

The Board of Directors, management, and all Financial Partners team members as always remain committed to providing a better financial future for our member-owners.



**ALAN BERGMAN**  
*Alan Bergman*  
TREASURER

## SUPERVISORY COMMITTEE'S REPORT

The Supervisory Committee is responsible for providing members with an impartial assessment of the Credit Union's operations by monitoring the overall financial safety and soundness of the Credit Union, ensuring compliance with various financial and regulatory requirements, as well as adherence to policies and procedures.

The independent accounting firm of Moss Adams, LLP assists the Committee in carrying out its responsibilities. Their independent opinion audit report as of December 31, 2022, indicates the financial statement fairly represents the financial condition and operational results of the Credit Union. The summary of Financial Partners' Consolidated Statement of Financial Condition as of December 31, 2022, is included herein.

Throughout the year, we reviewed internal audit reports, internal controls, risk management processes, and examinations by regulatory agencies. Based on our reviews and the result of the auditor's efforts, the Supervisory Committee believes the Credit Union has maintained accurate and timely accounting records, is in a strong financial position, and is operating in a safe and sound manner.



**CARYN PHILLIPS**  
*Caryn Phillips*  
CHAIR



<sup>(1)</sup> <https://customergauge.com/benchmarks/blog/financial-services-nps-benchmarks>

Your savings are federally insured to at least \$250,000 by the National Credit Union Administration (NCUA), a U.S. Government Agency, and backed by the full faith and credit of the United States Government.





Our success in the delivery of high-quality service rests squarely on the shoulder of our team members as without their dedicated service none of it would be possible. We are proud of American Banker's 2022 recognition of Financial Partners as one of the best credit unions to work for in the US.

**It's all about convenience.** With membership and assets at all-time highs, we continued to invest in new technology, enhanced products, and increased convenience to meet the needs of on-the-go, tech-savvy members. We are delighted the FPCU Mobile app continues to earn high marks with a solid 4.9 stars in the app store! In addition to all the account management tools available in Digital Banking, the launch of AlwaysReady Credit puts members in full control. From digital or mobile banking, members can select a personal loan or credit card, or increase an existing credit card line, and the funds are automatically deposited into their account or made available within minutes- no application, no waiting, 24/7 convenience!

**Do More. Get More.** We also launched APEX Member Rewards program. Now, in addition to great rates and fewer fees, members can earn APEX Points by using the credit union more. Swiping the debit card associated with their checking account, using the Reward credit card, getting a new loan or soon-to-come sign up for home or auto insurance! Best of all, APEX points are redeemable for cash, travel, or merchandise - just another way to give value back to members.

**Giving back to the communities we serve.** Financial Partners helps build stronger families and communities by partnering with organizations focused on children's health, STEM education, or financial wellbeing. This year, we formed **Financial Partners Community Cares Foundation** which will allow for even more charitable giving and community engagement. In addition, we participated in over 40 community events, supporting Children's Miracle Network (CHOC and Children's Hospital Los Angeles), TLC Family Resource Center, Costa Mesa State of the City, the 3rd annual Financial Partners Seal Beach Turkey

Trot, the Annual City of Downey Holiday Parade, Boeing Leadership Association, GOOD, the Future Innovators Scholarship fund at Columbia Memorial Space Center, and many others. As a nod to our rich aerospace history, we also became the sponsor of Girls in STEM Clubs in partnership with Columbia Memorial Space Center, to help start clubs throughout LA and Orange County.

Most importantly, as good "financial partners," we offer financial education to help members, students, and employees manage their assets more wisely. There are free educational, interactive modules at FPCU.org, to help members get 'Financially Fit' on their schedule. For the younger generation, we provide local schools with an engaging, digital education platform that builds student financial skills, and train the teachers to deliver robust curriculum - all at no cost to the schools. This investment in youth will help them make smarter financial decisions and profoundly impact their future.

Throughout our long history, we have stayed tenaciously committed to helping Member-Owners have a better financial future. Whatever your future goals and aspirations, whichever mountains you want to conquer, we stand ready to help you get there.

On behalf of the board of directors and management team, thank you for your continued support and participation.

We consider it a privilege to serve you!



**NADER MOGHADDAM**

*Nader Moghaddam*  
PRESIDENT & CEO



**BARBARA SMITH**

*Barbara A. Smith*  
CHAIRMAN OF THE BOARD

## 2022 STATEMENT OF FINANCIAL CONDITION

	2021	2022
<b>ASSETS</b>		
Cash and cash equivalents	\$166,180,831	\$107,583,224
Marketable equity Securities, at fair value	19,801,069	0
Securities available-for-sale, at fair value	248,209,193	189,509,522
Other Investments	7,773,200	11,010,999
Loans held for sale, at fair value	131,309,424	1,379,000
Loans receivable (net)	1,246,642,347	1,857,025,882
Accrued interest receivable	3,791,947	5,945,218
Mortgage servicing rights	14,992,348	14,943,087
Life Insurance Contracts	-	20,315,267
Property & equipment (net)	31,141,009	29,053,533
NCUSIF deposit	13,955,399	14,416,215
Other assets	30,138,258	34,192,789
<b>Total Assets</b>	<b>\$1,913,935,025</b>	<b>\$2,285,374,736</b>
<b>LIABILITIES AND MEMBER'S EQUITY</b>		
Members' shares	1,592,495,199	1,593,200,085
Nonmembers' deposits	30,007,502	130,157,041
Borrowed funds	67,500,000	354,400,000
Secondary Capital	-	35,000,000
Dollar Roll Financing	35,328,486	0
Accrued expenses & other liabilities	30,694,030	32,410,952
<b>Total Liabilities</b>	<b>\$1,756,025,217</b>	<b>\$2,145,168,078</b>
<b>MEMBERS' EQUITY</b>		
Retained earnings	133,755,216	134,105,144
Equity acquired in mergers	28,797,821	28,924,694
Accumulated other comprehensive loss	(4,643,229)	(22,823,180)
<b>Total Members' Equity</b>	<b>\$157,909,808</b>	<b>\$140,206,658</b>
<b>Total Liabilities and Members' Equity</b>	<b>\$1,913,935,025</b>	<b>\$2,285,374,736</b>

## 2022 STATEMENT OF INCOME

<b>INTEREST INCOME</b>		
Loans	46,650,736	59,117,041
Investments & cash equivalents	3,411,705	6,912,300
<b>Total Interest Income</b>	<b>\$50,062,441</b>	<b>\$66,029,341</b>
<b>INTEREST EXPENSE</b>		
Members' shares & deposits	9,416,280	10,220,704
Borrowed funds	3,062,695	7,781,923
<b>Total Interest Expense</b>	<b>\$12,478,975</b>	<b>\$18,002,627</b>
<b>Net Interest Income (NII)</b>	<b>\$37,583,466</b>	<b>\$48,026,714</b>
Provision for loan losses	522,680	2,583,745
<b>NII after Provision for Loan Losses</b>	<b>\$37,060,786</b>	<b>\$45,442,969</b>
<b>NON-INTEREST INCOME</b>		
Overdraft income	2,502,860	3,274,119
Interchange income	4,983,284	5,379,814
Residential mortgage & commercial banking income	15,350,635	5,053,424
Service charges and other fees	1,574,692	1,926,953
Financial services & insurance commission income	1,936,083	1,748,540
Gain on Marketable Equity Securities	2,404,383	(3,593,526)
Grant Income	2,383,265	690,000
Other non-interest income	2,862,552	3,220,222
<b>Total Non-Interest Income</b>	<b>\$33,997,754</b>	<b>\$17,699,546</b>
<b>NON-INTEREST EXPENSE</b>		
Salaries & benefits	31,471,112	33,714,075
Office operations	11,959,649	12,824,237
Loan servicing	6,150,447	6,186,544
Office occupancy	4,389,910	4,447,371
Professional fees	2,977,770	3,154,437
Other non-interest expense	2,416,295	2,520,640
<b>Total Non-Interest Expense</b>	<b>\$59,365,183</b>	<b>\$62,847,304</b>
<b>Net Income</b>	<b>\$11,693,357</b>	<b>\$295,211</b>