

**SANTA BARBARA TEACHERS FEDERAL CREDIT UNION**  
**86th ANNUAL REPORT**  
**DECEMBER 31, 2021**

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## **AGENDA**

Registration of Members  
President's Welcome Message  
Nominations by Nominating Committee Chairman  
Election of Board of Directors  
Dinner is Served  
Entertainment  
Treasurer's Report  
Report of Election Results  
New Business  
Corrections or Additions to Previous Meeting  
Adjournment  
Reading of Door Prizes

## **President's Message, SBTFUCU 86th Annual Meeting, May 7, 2022**

Welcome back and thank you for *attending* tonight's 86th Annual Meeting of the Santa Barbara Teachers Federal Credit Union; isn't it great to be back? Last year when I delivered my President's message virtually from the credit union, I am reminded of my closing words when I said,

“Now I look forward to next year when we will be able to gather in person, share hugs, stories, and finally raise an *actual* glass together and toast the many accomplishments we will surely have achieved between now and then.”

So here we are, I'd like to open my remarks with that promised toast to the credit union, all of its members, its incredible employees, my fellow Board of Directors, Supervisory Committee, and of course, to the incomparable leadership of our CEO, Roy McLaughlin!

### **Cheers!**

I want to reiterate what I said last year, that our annual gathering symbolizes the very characteristics that distinguish us from so many other institutions, and reinforce our sense of *community* and *family*, so that, in the end, we don't feel like an institution at all. It has, indeed, been a very good year for our credit union *family* in the midst of some unbelievable health and economic challenges, challenges that continue today. While our country has officially moved from the pandemic to endemic stage, the economic struggles in our nation continue. Yet, through it all, the Santa Barbara Teachers Federal Credit Union remains strong as it maintains a dynamic response to the ever changing landscape it encounters. I believe the key to our resiliency is the fact that we choose to *respond* as opposed to *react* when faced with ongoing financial obstacles we turn into opportunities.

Roy and I are grateful to the Board of Directors and Supervisory Committee who are dedicated to providing the best service to our membership, safeguarding the assets of the institution, and safeguarding the membership's information. Our credit union is ready and able to function in the new higher interest rate

environment, as we grew 10% to \$288 million in assets in 2021 through our safe investments backed by the U.S. Government. Remarkably, we maintained low loan delinquencies of less than 1/10<sup>th</sup> of a percent, even during Covid. And through it all, we are grateful for a loyal membership which never wavers.

Yes, we have much for which to be grateful during these challenging times. Much to celebrate and much for which to look forward. Lastly, I want to close where I began, with my gratitude for this opportunity to gather in person and celebrate once again the achievements of this credit union, but also to celebrate the community and family we continue to be year in and year out. Thank you all for making this family celebration possible again!

Sincerely,

Steve Shelton

President-Board of Directors  
Santa Barbara Teachers Federal Credit Union

**Minutes of the 85th Annual Meeting  
of the  
Santa Barbara Teachers Federal Credit Union  
Teleconference Via Zoom  
Saturday, June 26, 2021, 2:00 pm**

**1. Registration of Members**

Credit Union employee Francisco Romero verified and registered 21 members and employees logged in for the meeting.

**2. President Steve Shelton called the meeting to order at 2:01pm**

President's Message

Welcome and thank you for *viewing* tonight's 85th annual meeting of the Santa Barbara Teachers Federal Credit Union. It is certainly great to have this opportunity to celebrate all that we as a credit union have been able to accomplish during these quite unprecedented and challenging times. Yet, as this is our second "virtual" meeting, I would be remiss if I didn't also acknowledge how much I miss the in-person gatherings we have grown to anticipate so much over these many years. When we gather together in person, we have the opportunity to catch up with one another as we share stories, break bread, and raise a glass to toast another great year in both our individual and collective lives. Our annual gathering symbolizes the very characteristics that distinguish us from so many other institutions, and reinforce our sense of *community* and *family*, so that, in the end, we don't feel like an institution at all.

That said, while we certainly feel like a family in so many ways, we are still an institution. Thankfully, however, we are an institution that is stronger and more secure due to the impeccable leadership of our CEO, Roy McLaughlin. Time and time again, Roy's steady hand at the helm has been the difference as we've navigated our way through the many obstacles we've faced. Though we've sailed through many tempests in the past, none have been as challenging as the uncharted seas of this pandemic.

As we now emerge from different kinds of isolation we can see evidence of Roy's leadership and the fruit of this credit union's collective labor. Here are a few highlights worth noting. The Santa Barbara office was remodeled back in February 2020. Soon after that, in March, after initial modifications in the operation for all branches we then refined our operations in May for partially open lobbies. Through all this we accepted a record number of mortgage refinance loans, grew our assets by 10% from \$239 million to \$262 million, and we maintained a loan delinquency rate of 0.04%, which is significantly lower than the industry average of 0.63%. We maintained a low fee structure that is only one tenth the industry average and maintained a conservative loan and investment portfolio to prepare us for any future change in the rate environment. This has truly been a remarkable and noteworthy year.

Of course, we could not have done any of this without our outstanding employees who have worked courageously through such trying times persevering regardless of the various operational adjustments they had to make. In addition, I'd like to acknowledge all the credit union members who have demonstrated such patience and understanding throughout these many difficult months.

Finally, I would like to share a highlight I experienced this past Monday as we board members met in person for the first time in over a year. Our meeting turned out to be so much more than I could ever have imagined. When we first saw each other in person, we found ourselves exchanging hugs unlike we'd ever felt the need to do before. Conversations flowed from one another as we reacquainted ourselves with something a computer screen can never capture--the human side, the family side of this board of directors. We care for the credit union just as we care for one another in the very same way our late, great leader Frank Aiello knew, practiced, and preached. Now I look forward to next year when we will be able to gather in person, share hugs, stories, and finally raise an *actual* glass together and toast the many accomplishments we will surely have achieved between now and then. Take care and stay safe.

Sincerely,

Steve Shelton

President-Board of Directors

### **3. Nominations and Elections of the Board of Directors**

Peter Rojas, Steve Shelton and Isabel Esparza comprised the nomination committee. Peter Rojas announced the nominees and asked for any "nominations from the floor." Hearing none, he asked for a motion to "accept a white ballot as listed." Pat Brickey introduced the motion, Emily Bryan seconded, and the motion passed. Layne Wheeler, Kimberly Lynch-Campbell, Rosa Cavaletto, Peter Georgakis and Chris Rhodes were re-elected to the Board of Directors for three-year terms.

### **4. Board Treasurer Roy McLaughlin's report**

Good afternoon and thank you for joining us for Santa Barbara Teachers Federal Credit Union's annual meeting.

This past year and a half has been one of the most challenging periods the Credit Union has ever faced. In March of 2020 we were forced to quickly change our operations in order to keep our staff and membership safe from the Coronavirus outbreak. Our kids were pulled out of school and our parents went on strict isolation for their protection. I know the virus has impacted you all. For those of you who lost loved ones, I am deeply sorry.

I am very proud of how well our dedicated staff persevered through all the challenges the pandemic presented. So many of our normal tasks were complicated by the distancing and sanitizing measures it was difficult to accomplish our daily activities. But our team rose to the occasion like they always do. With a very supportive Board of Directors and Supervisory Committee behind us, we were able to provide service to our very understanding membership.

Our Annual Report, which is on our website, is available for you to review. In 2020 we had strong deposit growth of over 10%. Our loan quality continues to be excellent with over 99.9% of loans paying on time. Our capital reserves are a very strong 10%, much higher than the required 7%.

As the pandemic exploded, interest rates fell to their lowest levels in history. This caused an unprecedented wave of mortgage refinance activity. In May of 2020 alone we funded 35 mortgage loans, which was by far the most ever. As a result, we had to halt our mortgage program for several months to stay within our limits.

With unemployment levels skyrocketing, we were very concerned if our membership would be able to continue making their loan payments. We had to quickly assemble a Covid loan accommodation program to be able to grant our members a 3-month extension or forbearance without the negative

credit report consequences. We were pleasantly surprised the majority of our members continued to make their regular payments. We did have 38 consumer loans and 3 mortgage loans where our members took advantage of the 3-month deferral. Fortunately, all the members who took advantage of this accommodation have been able to resume their monthly payments.

Now that we are coming out of the pandemic, we are looking at the future and transitioning back to normal. With interest rates still at historic lows, our net income is greatly challenged. Fortunately, the Credit Union's capital reserves are sufficient to get us through this period and we are preparing for an eventual rise in interest rates. We have great volunteers and staff in place and ready for the next chapter. Some milestones I would like to recognize are:

Kristin Wright, Board of Directors	5
Isabel Esparza, Board of Directors	10
Pat Brickey, Vice President	10
DJ Perry, Former Board, now Supervisory Com	10
Rosa Buse, Supervisory Committee	15
Cynthia Maldonado, Teller	5
Irene Mata, Operations Supervisor	15

As most of you are aware, my predecessor and "Godfather" of the Credit Union Frank Aiello succumbed to Covid on August 3, 2020. He lived a long rich life which was unfortunately cut short by the virus at the age of 96. We are still inspired by him to continue his tradition of excellent service to our membership and will never forget his contribution to our institution.

The Credit Union has always had a bright future. Especially now we look forward to better times and serving you for years to come. Thank you for being part of our institution.

#### **5. Board President's Final Comments**

The President asked if there were any new business items or corrections to the Minutes from last year's Annual Meeting and there were none. He then asked for a motion to accept the Minutes. Peter Georgakis introduced a motion, Layne Wheeler seconded, and the motion passed. The president thanked everyone for attending and the meeting was adjourned at 2:15 pm.

**Respectfully Submitted,**

**Chris Rhodes, Board Secretary**

**SANTA BARBARA TEACHERS FEDERAL CREDIT UNION**  
**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2021**

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Assets:

Cash	\$ 19,588,402
Federal Reserve Overnight Investments	111,787,446
Investment in Government Agency Securities	91,235,805
Loans to members	61,256,293
Less: Allowance for Loan Loss	(146,580)
Accrued Interest Receivable	182,344
NCUA Share Insurance Fund Deposit	2,487,843
Central Liquidity Fund Investment	590,773
Other Assets	<u>637,145</u>
 Total Assets	 <u>\$ 287,619,471</u>

Liabilities and Capital:

Other Accrued Expenses	\$ 943,338
Share Savings Accounts	214,579,934
Share Draft Checking Accounts	34,852,442
IRA Certificates	9,135,535
Regular Reserve	13,802,493
Undivided Earnings	14,055,612
Net Unrealized Gain (Loss) on Securities	
Available-for-Sale	<u>250,117</u>
 Total Liabilities and Capital	 <u>\$ 287,619,471</u>

**SANTA BARBARA TEACHERS FEDERAL CREDIT UNION**  
**STATEMENT OF INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

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Interest Income:

Income from loans	\$	2,231,994
Income from investments		<u>707,988</u>
Total interest income		2,939,982

Interest Expense:

Dividends		<u>(230,998)</u>
Net interest income		2,708,984
Provision for loan loss		<u>(16,782)</u>
Net interest income after provision for loan loss		2,292,202

Non-interest income:

Fee income		<u>212,213</u>
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Non-interest expense:

Salaries & benefits	1,936,913
Travel & conference	20,957
Office occupancy	193,049
Office operations	342,770
Education & promotion	42,702
Loan servicing	229,024
Professional & outside services	582,608
Federal operation fee	54,552
Miscellaneous operating expense	<u>16,487</u>
Total non-interest expense	<u>3,419,062</u>

Net Income	<u><u>\$ (514,647)</u></u>
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**SANTA BARBARA TEACHERS FEDERAL CREDIT UNION**  
**COMPARISON TO PRIOR YEAR**  
**DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>
Total Assets	\$ 287,619,471	\$ 262,304,796	\$ 25,314,675
Total Loans	61,256,293	70,621,666	(9,365,373)
Share Savings	214,579,934	193,309,755	21,270,199
Share Drafts	34,852,442	30,104,410	4,748,032
IRA Certificates	9,135,535	9,332,791	(197,256)
Total Interest Income	2,939,982	4,017,511	(1,077,529)
Dividends	230,998	706,787	(475,789)
Provision for Loan Loss	16,782	67,192	(50,410)
Non-Interest Income	212,213	188,076	24,137
Non-Interest Expenses	3,419,062	3,277,524	141,538
Net Income	(514,647)	154,804	(669,451)

**SANTA BARBARA TEACHERS FEDERAL CREDIT UNION**  
**SHARE DOLLAR ANALYSIS**  
**DECEMBER 31, 2021**

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<u>Balance Range</u>	<u>Count</u>	<u>Percent</u>	<u>Balance</u>	<u>Percent</u>
up to \$2,500	8,348	58%	\$ 4,076,524	2%
\$2,501 to \$15,000	3,468	24%	22,987,921	9%
\$15,001 to \$40,000	1,183	8%	29,422,651	11%
\$40,001 to \$70,000	522	3%	27,550,796	10%
\$70,001 to \$100,000	264	2%	22,072,979	9%
\$100,001 and over	<u>664</u>	<u>5%</u>	<u>152,457,040</u>	<u>59%</u>
Total	<u>14,449</u>	<u>100%</u>	<u>\$ 258,567,911</u>	<u>100%</u>

**SANTA BARBARA TEACHERS FEDERAL CREDIT UNION  
LOAN PORTFOLIO  
DECEMBER 31, 2021**

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<b><u>Collateral</u></b>	<b><u>Count</u></b>	<b><u>Percent</u></b>	<b><u>Amount</u></b>	<b><u>Percent</u></b>
Signature	98	5%	\$ 636,193	1%
Visa Card	1,007	55%	1,773,924	3%
New Vehicle	94	5%	1,793,785	3%
Used Vehicle	299	16%	3,607,100	6%
Real Estate	294	16%	52,690,896	86%
Share Secured	<u>49</u>	<u>3%</u>	<u>754,395</u>	<u>1%</u>
Total	<u>1,841</u>	<u>100%</u>	<u>\$ 61,256,293</u>	<u>100%</u>

**SANTA BARBARA TEACHERS FEDERAL CREDIT UNION**  
**REPORT OF THE CREDIT COMMITTEE**  
**DECEMBER 31, 2021**

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The following is a summary of the tasks performed by the Credit Committee during the year 2021:

Loans Approved	143
Pre-approved Auto Loans	115
Visa Cards Approved	18
Loans and Visas Denied	36
Number of Extensions Granted	10
Loans and Visas Charged Off	4

As of December 31, 2021, the following were noted:

Delinquent Loans	\$	24,450
Delinquent Loans to Total Loans		0.04%
Average Share Balance	\$	26,205
Average Loan Balance	\$	33,273
Net Capital to Assets (Retained Earnings)		9.68%

**SANTA BARBARA TEACHERS FEDERAL CREDIT UNION**  
**REPORT OF THE SUPERVISORY COMMITTEE**  
**DECEMBER 31, 2021**

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The Santa Barbara Teachers Federal Credit Union (SBTFUCU) is founded upon the good faith, cooperation, and financial trust of our members. This foundation of our institution is based upon the investment of a community of educators and family, and the trust of our members is valued and protected.

Our mandate as a Federal Credit Union requires oversight. As part of this oversight, the SBTFUCU maintains an independent Supervisory Committee that schedules not only local audits of operations at all three local branches, but audits from independent contractors for fundamentals of practice, technological security, and compliance with rules dictated by the NCUA, the National Credit Union Association.

Your Supervisory Committee has worked diligently with management and staff this year to provide comprehensive oversight to credit union operations.

Since our last online General meeting, Covid has continued to shadow Credit Union operations, both in branch practices and employee behavior. The Supervisory Committee has been cautious, and we have utilized staff for remote audits when practical. We have been diligent in continuous, regular, supervision of Credit Union practice and policy.

We are confident that our oversight has continued to be authentic, pragmatic, and responsible to member needs.

Specifically, we have:

- Monitored regular audits of cash counts and balance sheets at all branches throughout the year
- Verified general ledger balances and payroll activity monthly
- Reviewed activity in accounts associated with employees and Board members
- Engaged outside resources to verify accounts, to investigate network security, to evaluate investment practices, risk and strategies, to fulfill bank security requirements as required by legislation, and to ensure that our credit union continues to provide service and security to the investments of all of our members
- Communicated regularly with Credit Union management, employees, and contracted advisors who review Credit Union activity

The Supervisory Committee is available for member concerns and oversight.

Sincerely,

Santa Barbara Teachers Federal Credit Union's

Supervisory Committee

**SANTA BARBARA TEACHERS FEDERAL CREDIT UNION**  
**OFFICERS, DIRECTORS & VOLUNTEERS**  
**2021**

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**Officers:**

President, Steve Shelton	Santa Barbara Junior High School
Vice President, Pat Brickey	Lakeview Junior High School
Secretary, Chris Rhodes	Santa Barbara County Education Office
Treasurer, Roy McLaughlin	Santa Barbara Teachers FCU

**Directors:**

Maritza Brown	Canalino Elementary School
Emily Bryan	Ellwood Elementary School
Rosa Cavaletto	Washington Elementary School
Peter Cotte	Carpinteria High School
Isabel Esparza	Washington Elementary School
Peter Georgakis	Santa Barbara City College
Kimberly Lynch-Campbell	Harding Elementary School
Patricia Manfredi	Lakeview Junior High School
Peter Rojas	Santa Barbara City College
Layne Wheeler	Adams Elementary School
Kristin Wright	Brandon Elementary School

**Supervisory Committee:**

Chair, Bob Ayer	Retired, La Colina Junior High School
Rosa Buse	Retired, Santa Barbara Sch. Dist. Payroll
John Emery	Retired, Delta High School
Jack Meyer	Retired, Carpinteria Middle School
DJ Perry	Retired, El Camino Elementary School

**Loan Review Committee:**

Jeremy Foster	Santa Barbara Teachers FCU
Paul Spadoro	Santa Barbara Teachers FCU

**ENTERTAINMENT**

Dos Pueblos Choral Group

Courtney Anderson, Director