

2015

ANNUAL REPORT



Fitzsimons
A PARTNERING CREDIT UNION



Federally insured by NCUA

Chairman's Letter to Members

Dear Members,

It has been my honor and privilege to serve as board chairman of Fitzsimons Federal Credit Union. During my forty-seven years as a member, I have served in several volunteer capacities for thirty-five years and on the board of directors for the last twenty-four. This span has allowed me to share in extraordinary changes within the credit union movement and within Fitzsimons Credit Union. Technology has dramatically reshaped the credit union industry while the ebb and flow of mild and severe economic recessions - and the resulting backlash of regulations - have tested the board's flexibility and resolve. Through turbulent times of the 1999 Base Realignment and Closure of the Fitzsimons Army Medical Center, expansion of the Fitzsimons federal charter to the Aurora community, and two involuntary relocations of the main branch and corporate facility in less than twenty years, our primary mission of helping members realize their financial goals has remained unchanged. I am proud to say that Fitzsimons Credit Union has more than survived; we have prospered, even at a time when ever more credit unions nationwide are being merged or liquidated.

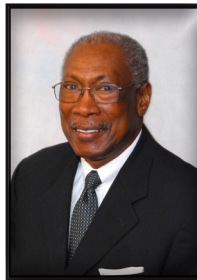
I have no doubt that the credit union will continue to invest in products and services expected by our membership and commit to ongoing training of our staff to provide first rate service.

With the capable and committed fellow board members and the competent management team who I've had the pleasure of serving with for many years, I leave knowing that Fitzsimons Credit Union is in great hands and I am looking forward to great things yet to come.

I will remember with great fondness the many professional and personal relationships I have established over the past forty-seven years: from when I was the brigade command sergeant major to being a volunteer of the credit union. How does one work so closely through good times and

challenges and not develop relationships of mutual trust, respect, commitment and admiration? I cannot say enough about how my service has been rewarded by the life-long friendships that have developed within the membership and the credit union. I wish to thank the management team for their cooperation, dedication and hard work throughout these many years, and I want to thank my board members who have selected me to lead. But, mostly I want to thank you, our very loyal membership, who has remained with us through thick and thin and helped this fine institution flourish in spite of it all. So it is with happiness and sadness that I am retiring as a director. I will cherish the memories.

Sincerely,



A handwritten signature in black ink, appearing to read "Thomas H. Smith". The signature is fluid and cursive.

THOMAS H. SMITH

Board Chair

CEO's Letter to Members

As we enter 2015, we mark our diamond anniversary of providing sixty years of great membership service! It is hard to believe that the Fitzsimons Federal Credit Union we see today once started in a single office in the former Fitzsimons Army Medical Hospital with a handful of part-time employees and limited services. Today, the historic "building 500" still sits in the center of a vast new campus of hospitals and academic buildings, while the credit union's branch and headquarters operates from a modern facility along the Fitzsimons Parkway adjacent to what will be the addition of a new Veterans Hospital. Today, the credit union serves members well beyond the boundaries of the Fitzsimons area, expanding into the Aurora community and beyond with a depth of products and services that rival some of the largest banks. Although Fitzsimons looks much different from when it was originally chartered, it has remained true to its mission of serving its members consistent with the credit union philosophy of "people helping people." With that, I am happy to report that 2014 was another successful year for Fitzsimons Credit Union from a growth, compliance and financial standpoint.

Member and loan growth were positive for the year, increasing 1.9% and 2.5% respectively. The economic rebound that began in 2010 gained momentum in 2014 and spurred auto and commercial loan growth. Lending will continue to be a focus for the credit union next year and thereafter.

Regulations that abounded as a result of the economic turmoil of the great recession placed a burden on the credit union to remain in compliance. Internal efforts were made to streamline the compliance process through specialized training and certification of staff and to leverage technology to keep abreast of regulatory requirements and changes. The process is never ending, but a strong commitment and investment in compliance,

coupled with an active supervisory committee and open dialogue with federal examiners and auditors, have kept it manageable.

Overall, the credit union remained financially strong in 2014 with a healthy net worth of 11.9% and positive earnings. Through the credit union's Asset/Liability committee, the board of directors and management continually look at balancing asset and deposit growth against net worth and earnings with special attention toward offering the best rates for both savers and borrowers.

Use of technology will be a central concentration in the coming years driven by member needs, internal efficiencies, and ongoing cyber security threats and external information breaches. Conversion of the credit union's online home banking and bill payment systems scheduled for mid-2015 will afford the membership more convenient access to their accounts and enhanced functionality. Management will also be rolling out a comprehensive online loan application tool capable of providing an automatic loan approval. As we have learned for two consecutive years, offering electronic services does not come without risk. A data breach by Home Depot during the year created havoc with many member accounts. While much of the risk and losses were mitigated, a project to upgrade debit cards to "chip" technology using Europay, Mastercard and Visa (EMV) was expedited for implementation and should be ready in 2015. EMV will safeguard member data when conducting in-person transactions and shift liability to merchants not using this technology. I wish to thank those members affected by the breach for your patience and loyalty as we worked through the inconvenience and disruptions you experienced related to your debit cards.

Continued on following page...

CEO's Letter to Members Cont'd

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Sandy Neves

SANDY NEVES

Chief Executive Officer

Board of Directors



Thomas H. Smith, *Board Chair*

Has been a member since 1967 and has over 30 years of volunteer service with the credit union. Mr. Smith received education from Regis College and the Denver Paralegal Institute. Mr. Smith retired from the U.S. Military.



George H. Touchard, *Board Vice Chair*

Has been a member since 1980 with over 25 years of volunteer support to the credit union. Mr. Touchard retired from the U.S. Military.



Ruth E. Bigham, *Board Secretary*

Has been a member since 1968 and has over 20 years of volunteer service on the Board of Directors. Ms. Bigham is retired from the Civil Service.



Lyle R. Artz, *Board Treasurer*

New to the board in 2010, Lyle was previously a volunteer for 8 years on the Supervisory Committee. Mr. Artz is retired from the U.S. Military and currently works for the Fitzsimons Redevelopment Authority.



James L. Dye, *Board Member*

Has been a volunteer and member supporting the credit union for over 25 years and was also the Supervisory Committee Chair. Mr. Dye retired from the U.S. Military and Civil Service.

Supervisory Committee

Judy Thomas

Committee Chair

Anthony Briseno

Committee Secretary

Ruth Bigham

Committee Member

Robert Fritsch

Committee Member

Jose Raya

Committee Member



Executive & Management Team



Sandy Neves
Chief Executive Officer



Daniel Brunner
Lending Manager



Robert Fryberger
President



LaVonda Dulaney
Communication Center
Manager



Dave Erickson
Vice President
Finance



Renee Grimm
Branch Manager



Nina Myers
Vice President Operations



Vickie Johns
Branch Manager



Andrey Parshenkov
Vice President Information
Technology



Brett Slayden
Branch Operations
Manager



Cheri Prochazka
Vice President Human
Resources



Elizabeth Rettig
Risk Management/
Fraud Specialist



Randall Skitt
Vice President Accounting



Polina Yakusheva
Vice President Marketing
& Business Development

Treasurer's Report

Fitzsimons Credit Union remained a healthy, well capitalized institution in 2014. The net worth ratio was 11.89% at year-end 2014, which was well above the minimum threshold of 7% to be considered a well-capitalized credit union by the National Credit Union Administration (NCUA). As the Colorado economy continues to improve, so should the financial condition of Fitzsimons Credit Union and its ability to expand member products and services.

The credit union continues to benefit from low levels of delinquent loans and loan losses making it three years where no additional loan loss reserves were required. As the economy has improved and actual loan losses have remained low, the credit union lowered its loan loss estimates and corresponding expenses, contributing to positive income.

The annual corporate stabilization assessment enacted by NCUA was not imposed in 2014 due to gradual economic recovery since the great recession, and no further assessments are expected. In addition, there has been no premium charges by the National Credit Union Share Insurance Fund (NCUSIF) since 2010 reflecting the strength of the insurance fund backing member deposits. No NCUSIF charges are expected in 2015.

Lending is at the core of meeting the financial needs of our members and a primary mission of the credit union. Loans are vital to Fitzsimons' financial performance because they provide the majority of the credit union's income. In 2014, total loan balances increased by 2.52%, and income from loans increased 8.8%, providing more revenue to cover operating expenses, loan losses and dividends to the membership. Fitzsimons will continue to offer competitively priced lending options and work with members in need of financial assistance.

2014 was profitable for the credit union and we know 2015 will have its own challenges. Increasing lending, minimizing the effects of merchant data breaches, and managing expenses during the economy recovery will

be the main areas of focus in the coming years. Statements made by the Federal Open Market Committee (FOMC) indicate that short-term rates are expected to remain low for an extended period, and many expect the FOMC will not raise rates until mid-2015, or later. The credit union is prepared to operate and serve its members during this low rate environment and even when rates begin to rise. This is made possible by not taking undue risk thereby preserving the credit union's net worth position. Your board and management will always make operating a safe and sound institution a priority for Fitzsimons. We thank our member-partners for their continued loyalty.



LYLE R. ARTZ

Board Treasurer

Statement of Financial Cond

Assets	
Total Loans	85,282,047
Allowance for Loan Losses	(1,695,471)
Net Loans	83,586,577
Cash and Investments	68,640,982
Fixed Assets	8,194,385
Share Insurance Capitalization Deposit	1,425,062
All Other Assets	9,088,674
Total Other Assets	18,708,121.65
Total Assets	\$ 170,935,681
Liabilities, Shares & Equity	
Accounts Payable & Other Liabilities	1,973,418
Share Savings	54,703,917
Draft Checking	28,502,880
Money Market Shares	20,870,210
Share Certificates	34,869,437
IRA Shares & Certificates	9,402,310
Total Shares & Certificates	148,348,754
Regular Reserve & Undivided Earnings	20,323,189
Unrealized Gain/(Loss) on Investments	290,320
Total Net Worth & Unrealized Inv Loss	20,613,509
Total Liabilities, Shares & Equity	\$ 170,935,681

Statement of Income

Interest Income	
Interest on Loans	4,161,543
Income from Investments	806,180
Total Interest Income	4,967,723
Interest Expense	
Dividends on Shares	450,266
Interest of Borrowed Money	25,957
Total Interest Expense	476,223
Net Interest Income Before Provison	4,491,499
Provision for Loan Losses	-
Net Interest Income After Provision	4,491,499
Operating Expense	
Employee Compensation & Benefits	2,775,060
Travel & Conference	75,226
Office Occupancy	563,514
Office Operations	1,641,025
Educational/Promotional	278,251
Loan Servicing	181,224
Professional/Outside Services	321,545
Members Insurance/Corporate CU Stabilization	-
NCUA Operating Fee	30,445
Miscellaneous Operating Expense	44,753
Total Operating Expense	5,911,042
Fee and Other Income	
Fee Income	1,203,396
Other Operating Income	807,359
Total Fee and Other Income	2,010,755
Net Operating Income	591,212
Gains on Disposition of Assets	528
Net Income	\$ 591,740

Statement of Cash Flows

For the period January 1, 2014 through December 31, 2014
Increase or (Decrease) in Cash and Cash Equivalents

CASH FLOWS FROM OPERATING ACTIVITIES:	
Interest Payments from Member's Loans	4,370,620
Interest Payments from Investments	1,644,399
Non-Interest Income	1,895,807
Dividends Paid on Members' Accounts	(450,266)
Interest Paid on Borrowed Funds	(23,001)
Operating Expenses	(5,559,711)
Other Balance Sheet Changes	(814,635)
<hr/> Net Cash Provided or (Used) in Operating Activities	<hr/> 1,063,214
CASH FLOWS FROM INVESTING ACTIVITIES:	
New Loans Made (Excludes LOCs)	(26,151,840)
Net (Increase)/Decrease in Lines-of-Credit	(878,886)
Proceeds from Payback of Non-LOC Loans	24,454,087
Purchases of Investment Securities	(18,916,857)
Proceeds from Maturity of Investment Securities	22,193,957
(Increase)/Decrease in Long Term Investments	(321,667)
Purchases of Fixed Assets	(159,947)
Proceeds on Disposition of Fixed Assets	528
Purchases of CUSO or TBPF Assets	(3,100,000)
Proceeds from Sale of Other Real Estate Owned	0
(Increase)/Decrease in NCUSIF Deposit	(37,409)
<hr/> Net Cash Provided or (Used) by Investment Activities	<hr/> (2,918,033)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Net Increase/(Decrease) in Regular Shares	3,482,016
Net Increase/(Decrease) in IRA Balances	(6,561)
Net Increase/(Decrease) in Share Draft Balances	2,674,860
Net Increase/(Decrease) in Money Market Balances	802,223
Proceeds from Sale and Renewal of Member Certificates	40,252,320
Payments from Maturing Member Certificates	(42,342,811)
Net Increase/(Decrease) in Short-Term Borrowed Funds	0
<hr/> Net Cash Provided or (Used) by Financing Activities	<hr/> 4,862,047
Net Increase or (Decrease) in Cash & Cash Equivalents	<hr/> 3,007,227
Cash & Cash Equivalents at January 1, 2014	<hr/> 9,299,314
Cash & Cash Equivalents at December 31, 2014	<hr/> 12,306,541

Disclosure of accounting policy: Cash & Cash Equivalents consist of cash on hand and deposits with SunCorp Corporate FCU, the Federal Reserve Bank and the Federal Home Loan Bank. All loans are made with maturities of more than 90 days, or treated as such in the statement of cash flows. All investments are treated as having original maturities in excess of 90 days. Non-maturing shares and borrowing activity are considered short-term and only the net increase or decrease is reported on the statement of cash flows. Share and IRA certificates are treated as long-term and reported as gross receipts and gross payments on the statement of cash flows.

Independent Auditors' Report



January 28, 2015

To the Members, Board of Directors,
and Supervisory Committee of
Fitzsimons Federal Credit Union
Aurora, Colorado

We were engaged by Fitzsimons Federal Credit Union to perform an independent audit of the Credit Union's financial statements for the year ended September 30, 2014. We have issued our independent auditor's report dated December 31, 2014.

In the independent auditor's report, we expressed an unqualified opinion on the Credit Union's financial statements. An unqualified opinion states that the financial statements present fairly, in all material respects, the financial condition of the Credit Union as of September 30, 2014 and the results of its operations and cash flows for the year then ended.

A full copy of the independent auditor's report and audited financial statements is available from the Credit Union upon request.

Sincerely,



Holben • Hay • Lake • Balzer
Certified Public Accountants LLC
Denver, CO

Supervisory Committee Report

The National Credit Union Administration (NCUA) requires that the supervisory committee be responsible to ensure that the board of directors and management of Fitzsimons Federal Credit Union (FFCU) meet required financial reporting objectives and establish practices and procedures sufficient to safeguard members' assets. In satisfying this requirement, the supervisory committee assures that (1) internal controls are in place and effectively maintained, (2) accounting records and financial reports are accurate, and (3) plans, policies and controls are properly administered by the board to safeguard against error, conflict of interest, self-dealing and fraud.

First engaged in 2010, Holben Hay Lake Balzer CPAs LLC, conducted the 2014 annual opinion audit and expressed an unqualified opinion on the credit union's financial statements for the period ending September 30, 2014. The purpose of the opinion audit is to review the credit union's accounting records and financial reports in accordance with auditing standards generally accepted in the United States of America. Those standards require that the auditors plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. A component of the opinion audit includes performing a verification of members' accounts against the credit union's records. The independent auditors' report indicates the audited financial statements as of September 30, 2014 and 2013, present fairly, in all material respects, the financial condition of the credit union.

The unaudited financial statements as of December 31, 2014, as listed in the annual report cannot be verified by the supervisory committee; however, there have been no material changes in accounting policies or management of the credit union that would cause concern.

In addition to the annual opinion audit, the supervisory committee engaged Rebecca Z. Clowers, CPA, to conduct quarterly audits of

the credit union's internal controls. Internal controls include operating procedures, staff structure and other measures within the credit union to safeguard member assets, check the accuracy and reliability of accounting data, and encourage compliance with board policies. Internal controls minimize the possibility that errors or fraud remain undetected for any length of time.

Your credit union was subject to a variety of audits/examinations in 2014, which were reviewed by the supervisory committee. I am happy to report there were no material misstatements or finding as a result of those audits or examinations. Management cooperated fully with the supervisory committee, examiners and auditors. They responded promptly and seriously considered any recommendations.

It has been a pleasure serving the FFCU membership. Additionally, we thank the board of directors, the management and staff for their support and cooperation with assisting the supervisory committee in carrying out its responsibilities to the membership.



JUDY A. THOMAS
Supervisory Committee Chair



that's what partners are for.

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6359 S. Southlands Parkway Aurora, Colorado 80016

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