

2016

ANNUAL REPORT



Federally insured by NCUA.

Fitzsimons
A PARTNERING CREDIT UNION

Chairman's Letter to Members



Dear Members,

The job description of the board of directors is “to set the general direction and control for the credit union; ensure that the credit union is well-managed, financially secure and in compliance with legal requirements and regulations, and monitor progress toward our goals.” To that end, one of the most important decisions directors will make during their tenure is to hire a chief executive officer (CEO) who will manage the day to day operations to successfully achieve the goals and objectives established by the board. In June 2016, the board of directors was tasked with the requirement to hire a new CEO. The board hired Robert F. Fryberger Jr. as president/CEO of Fitzsimons Federal Credit Union after the retirement of CEO Sandy Neves, who after thirty-five years of admirable service to the credit union and the industry decided to seek a new passion.

Since July 2016, the board and president/CEO Fryberger have been working through the leadership change transition. Because Mr. Fryberger has been with the credit union for twenty-seven years, most recently as its president, the board's transition plan went smoothly. Mr. Fryberger will continue to work toward achieving the objectives of our strategic plan to focus on lending, increase profitability, and continue to provide quality and relevant products and services that benefit our membership.

As we remained engaged with our strategic goals, we enjoyed a couple of accolades for our commitment to our community in 2016. Fitzsimons Credit Union received the Juntos Avanzamos-Together We Advance-designation from the National Federation of Community Development Credit Unions for serving and empowering Hispanic consumers, and second place in the Dora Maxwell

award from the National Association of Credit Unions for social responsibility. We are very proud of our achievements and will continue to demonstrate one of our philosophy principles, which is “as a member of the community in which we operate, we take into consideration the interest of the community and support services and activities that foster the well-being, social, and human development of its residents.”

As we look ahead, we will persist in our efforts to keep the credit union safe and sound while delivering products and services that benefit you. We will remain constant in our mission, vision and core values to deliver exceptional partnership experiences to those we serve and those with whom we work and do business. On behalf of the board of directors, I want to thank you for your continued support of and loyalty to the Fitzsimons Credit Union.

Sincerely,



A handwritten signature in black ink, appearing to read "Lyle R. Artz".

LYLE R. ARTZ

Board Chair



CEO's Letter to Members

Dear Members,

I want to thank the board of directors for the confidence they have shown by selecting me as the president/CEO. Although I have worked for the credit union for nearly twenty-eight years, I have a new appreciation for this position and I am ready to take on the responsibilities, challenges and opportunities that come with it. I look forward to continuing the strategic direction established by the board of directors and sustaining the momentum established by my predecessor, Sandy Neves. While much of 2016 focused on preparing for smooth transition of the CEO position from Sandy Neves to me, we were still able to implement projects to expand and enhance member service delivery. Early last year we rolled out an automated loan application and decision software that allows for members to apply online and receive approvals in a fraction of the time of the traditional loan application process. The online application system should directly address member demands for immediate loan responses and information using technology. In July of last year, we also upgraded our phone system with enhanced functionality to improve phone service and began testing of EMV "chip" cards for an early 2017 deployment. Full implementation of chip card technology is expected to reduce fraud and deter hackers and identity thieves from stealing member information. Going forward, we will continue looking for ways to use technology to improve convenience and the overall member experience through efficient and secure delivery channels. While technology can ultimately increase operational efficiencies, it is expensive and not without risk as we continue to dedicate more dollars toward cyber security to protect member data from damage or unauthorized access.

We are fortunate that Fitzsimons Credit Union is well capitalized and our focus in the coming year will be to establish earnings stability. This will require a thorough review of all operating expenses and possible reductions where necessary without disrupting service to members. In addition, there will be concerted effort to increase lending and interest income. Loans are the life-blood of any credit union and Fitzsimons is no exception.

I would like to thank you, our members, for the continued support of your credit union. It is a privilege to have been selected as the CEO of this great organization and I look forward to growing and serving you in future years to come. I also want to thank the dedicated staff who strive to provide you with quality products and services in a time of ever increasing demands and complexity.

Sincerely,



ROBERT M. FRYBERGER JR

Chief Executive Officer

Board of Directors



Lyle R. Artz, *Board Chair*

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.



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.



Robert G. Fritsch, *Board Treasurer*

Has been a member for over 31 years. Served as a volunteer on the Supervisory Committee since 2009. Appointed to the Board of Directors in 2015. Mr. Fritsch is retired from the U.S. Military.



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.



Thomas H. Smith, *Advisory Committee Member*

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.



Supervisory Committee

Judy Thomas

Committee Chair

Anthony Briseno

Committee Secretary

Ruth Bigham

Committee Member

Elizabeth Brauer

Committee Member

Jose Raya

Committee Member



Executive & Management Team



Robert Fryberger

Chief Executive Officer/
President



Alisha Huett

Assistant Vice President
Operations



David Erickson

Vice President
Finance



Melanie Bedell

Branch Manager
Southlands



Nina Myers

Vice President Operations



Esmarelda Perez

Communication Center/
NJH Branch Manager



Andrey Parshenkov

Vice President Information
Technology



Elizabeth Rettig

Compliance & Risk
Manager



Cheri Prochazka

Vice President Human
Resources



Polina Yakusheva

Vice President Marketing
& Business Development

Treasurer's Report



Dear Members,

Fitzsimons Credit Union remained well capitalized for 2016. The net worth ratio of 11.42% was well above the minimum threshold of 7.00% to be considered a well-capitalized credit union by the National Credit Union Administration (NCUA). A strong net worth position provides the credit union a solid foundation in its ability to offer members competitive products and services.

A sound lending program is central in meeting the credit union's financial goals and the needs of our members. Loans are vital to Fitzsimons' financial performance as they provide most the credit union's interest income. In 2016, total loan balances increased 7.74%, and loan interest income increased 4.11%, 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.

Financially, 2016 was considered a near break-even year with a negligible negative net income tied to adjustments to the allowance for loan loss account. Increasing lending to the membership while minimizing loan losses and managing expenses will be the main areas of focus in the coming years. The Federal Open Market Committee (FOMC) of the Federal Reserve increased the target Fed Funds rate again at the end of 2016 and indicated that the rate may continue to increase in 2017. The credit union is prepared to operate and serve its members during this low rate environment and even as interest rates continue to rise. This is made possible by not taking undue risk thereby preserving the credit union's strong 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.

Sincerely,



A handwritten signature in cursive script that reads "Robert G. Fritsch".

ROBERT G. FRITSCH
Board Treasurer



Statement of Financial Condition

Assets	
Total Loans	97,036,299
Allowance for Loan Losses	(1,577,388)
Net Loans	<u>95,458,911</u>
Cash and Investments	64,488,358
Fixed Assets	7,707,029
Share Insurance Capitalization Deposit	1,485,780
All Other Assets	9,827,036
Total Other Assets	<u>19,019,845</u>
Total Assets	<u>\$ 178,967,114</u>
Liabilities, Shares & Equity	
Accounts Payable & Other Liabilities	3,652,315
Share Savings	60,434,073
Draft Checking	32,197,785
Money Market Shares	23,476,840
Share Certificates	30,421,083
IRA Shares & Certificates	8,340,091
Total Shares & Certificates	<u>154,869,871</u>
Regular Reserve & Undivided Earnings	20,438,933
Unrealized Gain/(Loss) on Investments	5,994
Total Net Worth & Unrealized Inv Loss	<u>20,444,927</u>
Total Liabilities, Shares & Equity	<u>\$ 178,967,114</u>

Statement of Income

Interest Income	
Interest on Loans	4,353,651
Income from Investments	923,876
Total Interest Income	<u>5,277,527</u>
Interest Expense	
Dividends on Shares	386,092
Interest of Borrowed Money	91,612
Total Interest Expense	<u>477,704</u>
Net Interest Income Before Provison	4,799,823
Provision for Loan Losses	756,044
Net Interest Income After Provision	4,043,779
Operating Expense	
Employee Compensation & Benefits	3,008,057
Travel & Conference	71,358
Office Occupancy	575,632
Office Operations	1,632,325
Educational/Promotional	272,668
Loan Servicing	286,197
Professional/Outside Services	412,596
Members Insurance/Corporate CU Stabilization	-
NCUA Operating Fee	32,412
Miscellaneous Operating Expense	51,154
Total Operating Expense	<u>6,342,400</u>
Fee and Other Income	
Fee Income	1,196,151
Other Operating Income	<u>940,974</u>
Total Fee and Other Income	2,137,125
Net Operating Income	(161,496)
Gains on Disposition of Assets	-
Net Income	<u>\$ (161,496)</u>

Statement of Cash Flow



For the period January 1, 2016 through December 31, 2016
Increase or (Decrease) in Cash and Cash Equivalents

CASH FLOWS FROM OPERATING ACTIVITIES:

Interest Payments from Member's Loans	4,684,467.89
Interest Payments from Investments	1,457,675.65
Non-Interest Income	1,890,212.22
Dividends Paid on Members' Accounts	(386,092.06)
Interest Paid on Borrowed Funds	(88,167.52)
Operating Expenses	(6,078,318.12)
Other Balance Sheet Changes/Non-Operating Inc/Exp	299,754.37
<u>Net Cash Provided or (Used) in Operating Activities</u>	<u>1,779,532.43</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

New Loans Made (Excludes LOCs)	(33,201,086.42)
Net (Increase)/Decrease in Lines-of-Credit	(3,267,935.28)
Proceeds from Payback of Non-LOC Loans	28,407,118.37
Purchases of Investment Securities	(15,308,003.02)
Proceeds from Maturity of Investment Securities	19,371,309.78
Purchases or Redemption of FHLB Stock or Alloya Capital	6,300.00
Purchases of Fixed Assets	(120,013.46)
Proceeds on Disposition of Fixed Assets	0.00
Purchases of CUSO or Retirement Plan Assets	(382,500.00)
Proceeds from Sale of Other Real Estate Owned	0.00
(Increase)/Decrease in NCUSIF Deposit	(23,365.07)
<u>Net Cash Provided or (Used) by Investment Activities</u>	<u>(4,518,175.10)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Net Increase/(Decrease) in Regular Shares	198,300.53
Net Increase/(Decrease) in IRA Balances	388,597.94
Net Increase/(Decrease) in Share Draft Balances	705,718.45
Net Increase/(Decrease) in Money Market Balances	1,452,967.83
Proceeds from Sale and Renewal of Member Certificates	34,881,547.13
Payments from Maturing Member Certificates	(37,332,907.01)
Net Increase/(Decrease) in Short-Term Borrowed Funds	0.00
<u>Net Cash Provided or (Used) by Financing Activities</u>	<u>294,224.87</u>

Net Increase or (Decrease) in Cash & Cash Equivalents **(2,444,417.80)**

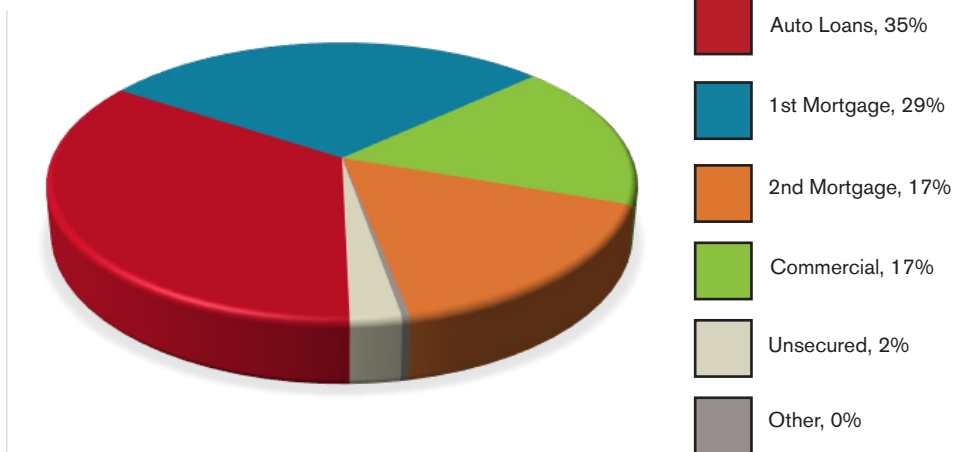
Cash & Cash Equivalents at January 1, 2015 9,510,249.73

Cash & Cash Equivalents at December 31, 2015 7,065,831.93

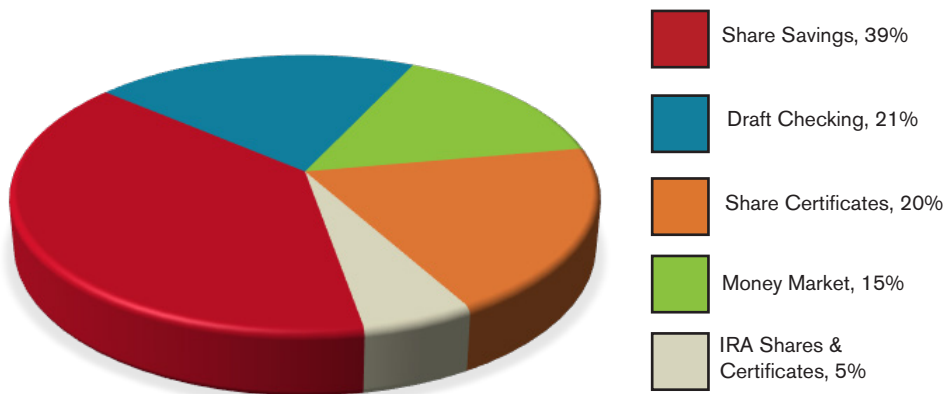
Disclosures of accounting policy. Cash & Cash Equivalents consist of cash on hand and deposits with Alloya Corporate FCU, the Federal Reserve Bank and the Federal Home Loan Bank. All loans are made with maturities of more than 90 days, or treated as such in the statement of cash flows. All investments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



Loan Distribution



Share Distribution



Independent Auditor's Report



February 8, 2017

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

We were engaged by Fitzsimons Credit Union to perform an independent audit of the Credit Union's financial statements for the year ended September 30, 2016. We have issued our independent auditor's report dated January 30, 2017.

In the independent auditor's report we expressed an unmodified opinion on the Credit Union's financial statements. An unmodified opinion states that the financial statements present fairly, in all material respects, the financial condition of the Credit Union as of September 30, 2016 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,

Doeren Mayhew

Doeren Mayhew
Miami, FL





Supervisory Committee Report

The National Credit Union Administration (NCUA) requires that the supervisory committee 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 2016, Doeren Mayhew CPAs, conducted the 2016 annual opinion audit and expressed an unqualified opinion on the credit union's financial statements for the period ending September 30, 2016. 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 that 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, 2016, present fairly, in all material respects, the financial position of the credit union.

The unaudited financial statements as of December 31, 2016, 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 Holben Hay Lake Balzer CPAs LLC, 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, ensure the accuracy and reliability of accounting data, and compliance with board policies. Good internal control minimize the possibility of undetected fraud and errors.

Your credit union received a variety of audits/examinations in 2016, that were reviewed by the supervisory committee. I am pleased to report there were no material misstatements or findings 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 that resulted from these audits/examinations.

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 in assisting the supervisory committee carry out its responsibilities to the membership.

JUDY A. THOMAS
Supervisory Committee Chair



that's what partners are for.

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