

2023

BUILDING BETTER FINANCIAL FUTURES

ANNUAL REPORT



CABRILLO
CREDIT UNION



ANNUAL MEETING AGENDA

Wednesday, June 26, 2024, at 5:00 PM
Headquarters: 3710 Ruffin Road, San Diego, CA 92123

I. Determination of Quorum (15)

Presented by Randi Larsson, Chair of the Board

II. Approval of Minutes From the Annual Meeting Held June 22, 2023

Presented by Randi Larsson, Chair of the Board

III. Report of the Board Chair and CEO

Presented by Randi Larsson, Chair of the Board

IV. Report of the Supervisory Committee

Presented by Michael Baranic, Chair of the Supervisory Committee

V. Unfinished Business

Presented by Randi Larsson, Chair of the Board

VI. Report of the Nominating Committee

Presented by Marcella Serrano-Gomez, Chair of the Nominating Committee

Supervisory Committee (1 open position)

Board of Directors (3 open positions)

VII. Adjournment

Presented by Randi Larsson, Chair of the Board

SUPERVISORY COMMITTEE

The Cabrillo Credit Union Supervisory Committee is comprised of volunteer members responsible for ensuring that the credit union's fiscal operations and internal controls follow established accounting principles and regulations that govern credit unions.

The Supervisory Committee has oversight responsibility for both internal and external audits for Cabrillo Credit Union. The committee coordinates an annual independent audit with an externally certified public accounting firm, and this year selected the firm of Turner, Warren, Hwang & Conrad AC (TWHC). TWHC is a well-qualified auditing firm that follows Generally Accepted Financial Principles as promulgated in the United States of America. This firm was engaged for the audit and issued an unmodified opinion, which means the financial statements are fairly stated in all material respects.

Based on these independent reports, the Supervisory Committee is pleased to inform the membership that Cabrillo Credit Union is in good financial condition, and that member account balances have been verified.

The Credit Union also engaged several firms to conduct internal audits to ensure that Cabrillo Credit Union maintains good internal controls, complies with regulations and assets are prudently safeguarded. The committee works with management to ensure any operating issues are addressed.

Fiscal year 2023 brought many positive outcomes to the financial condition of Cabrillo Credit Union. The credit union improved our net worth ratio to 9.30% as of December 31, 2023. Cabrillo also ended the year with net income of more than \$1.5 million and a return on assets ratio of 37 basis points. Cabrillo Credit Union is well-positioned to continue to faithfully serve our members in a safe and sound manner.

Thank you for your membership and the opportunity to serve as the Supervisory Committee Chairman.

Respectfully Submitted,
Michael Baranic
Chair, Supervisory Committee



Dear Cabrillo Credit Union Members,

We are pleased to present the annual Chairman and CEO Report celebrating Cabrillo Credit Union's achievements in 2023. This report highlights the contributions of our dedicated employees and the progress we have made in financial stability, operational advancements and key initiatives.

In 2023, we significantly strengthened our financial position. Our net worth ratio increased from 7.77% in December 2021 to 9.30% in December 2023, surpassing the 7% threshold considered well-capitalized by the National Credit Union Administration. Our delinquency rate remains low at 0.23%, reflecting our responsible lending practices. Total Loans grew by 2.81%, a solid performance in a high-rate environment.

Our C.A.R.E Program continues to provide members with peace of mind during challenging times. Now expanded to include assistance during natural disasters, the program saw increased membership and loan applications in September due to the threatened government shutdown. Our teams worked diligently to process these applications quickly, ensuring members' financial security.

Our teams at Cabrillo have been very busy this past year identifying and improving as many member touchpoints as possible. Some key highlights include:

- **Visa Brand Flip:** We are in the final preparation for our conversion from Mastercard® to Visa in the summer of 2024. This conversion will provide valuable enhancements to our debit and credit card programs. Members' cards will be reissued and will include contactless payments, better known as tap-to-pay. This payment technology will make it even easier for Cabrillo members to use their cards for payments worldwide. We are also launching a new cash-back rewards credit card, offering a seamless way for members to earn cash back by using their Cabrillo Signature Card. There are many

other benefits to this change for our members and employees. Please look out for communication about this change, and do not hesitate to call or visit a branch if you have questions.

- **Zelle®:** The launch of Zelle® to our membership was a complete success. We continue to see growth in both users and transactions. After the successful implementation, we recently increased the per transaction and daily limits to enhance access for transfers.
- **Virtual Branch Expansion:** We cannot have a branch everywhere our members want, although we wish we could. So, we are investing heavily in our Virtual Branch/Call Center to ensure greater access for our members. This past year, we implemented a third-party partner to answer calls during high volumes and non-Cabrillo business hours. While the third party cannot handle all transactions, they can manage most requests 24/7. Recently, we extended their access to handle member disputes of debit and credit card transactions. Seeing an unauthorized transaction on an account can be stressful; now Cabrillo members can call 24/7 to report those transactions. We will continue to invest heavily in our Virtual Branch to ensure great access and flexibility for our members.
- **New Headquarters:** Our Carroll Canyon Headquarters had significantly deferred maintenance, so we decided to address these issues. After an assessment with an experienced third party, we realized that even with a substantial investment to modernize the building, we would still be out of space for our current and future employees. We then found our new home at 3710 Ruffin Road. Our new headquarters is modern, functional and positively contributes to our employee culture. Flexibility and responsiveness to opportunities have served us well in this situation, and we couldn't be happier with the outcome. We

BOARD OF DIRECTORS & SUPERVISORY COMMITTEE

look forward to serving our members from Ruffin Road for years to come. Additionally, the sale of the Carroll Canyon location will positively impact our 2024 financial position.

There are many other initiatives our team is working on to ensure Cabrillo remains your financial institution of choice. These include a significant investment in our marketing team to provide clear and efficient product and service offerings to our members. We also continue to invest in technologies that enhance our members' daily financial lives and in security measures to keep your data secure with Cabrillo. We use the Net Promoter Score tool to measure our member satisfaction. Please share your thoughts and feedback when you receive one of those surveys. We use that data regularly to make decisions and train our team. Our scores remain strong, but we continuously look for ways to improve.

In closing, we express our sincere gratitude to our valued members. Your faith in Cabrillo Credit Union drives us to strive for excellence and deliver exceptional financial services. As we reflect on the accomplishments of 2023, we are filled with pride and optimism for the future. Thank you for being part of the Cabrillo Credit Union family, and we look forward to a bright future together.

Kindest Regards,
Randi Larsson, Chairperson & Kevin Posey, CEO



Randi Larsson
Chair

Richard Amezcua
Vice Chair

Kristopher Whitworth
Treasurer

G. Frank Miranda
Secretary

Dave C. Rodriguez
Director

Marcella Serrano-Gomez
Director

Manuel Bayon
Director

Kevin Posey
President & CEO

Michael Baranic
Supervisory Committee Chair

Tina Paisley
Supervisory Committee

Joel Lara
Supervisory Committee



FINANCIAL REPORT

<i>Figures in thousands ('000)</i>	December 2022	December 2023
INCOME AND EXPENSE		
Total Loan Interest Income	\$10,411	\$12,560
Total Cash Deposit Income	\$325	\$353
Total Investment Income	\$1,856	\$2,477
TOTAL INTEREST INCOME	\$12,591	\$15,391
Dividends	\$529	\$1,557
Total Borrowings	\$32	\$763
Cost of Funds	\$560	\$2,320
NEW INTEREST INCOME	\$12,031	\$13,070
Total Fee Income	\$2,038	\$1,733
Miscellaneous Income	\$2,631	\$2,692
TOTAL OTHER OPERATING INCOME	\$4,668	\$4,425
Total Compensation	\$5,968	\$6,102
Total Employee Benefits	\$1,121	\$1,174
Total Travel, Conferences & Associations	\$286	\$379
Association Dues	\$45	\$57
Total Office Occupancy	\$768	\$903
Total Office Operations	\$578	\$774
Total Share Draft Expense	\$63	\$86
Total ATM FSCC	\$1,166	\$1,344
Total IT	\$1,509	\$1,721
Marketing	\$404	\$630
Loan Servicing	\$721	\$727
Outside Service	\$918	\$1,027
Miscellaneous	\$120	\$95
TOTAL OPERATING EXPENSE	\$13,666	\$15,018
Non-Operating Loss/(Gain)	\$35	\$73
TOTAL EXPENSE/LOSS	\$13,701	\$15,091
Provision for Loan Loss	\$648	\$900
NET INCOME	\$2,351	\$1,503
ASSETS		
Net Loans	\$223,311	\$229,167
Total Cash	\$19,481	\$13,538
Prepaid Expenses	\$651	\$861
Accrued Income	\$1,411	\$1,189
Investments	\$142,511	\$126,810
Other Assets	\$17,550	\$26,173
TOTAL ASSETS	\$404,914	\$397,739
LIABILITIES & EQUITY		
Non-Interest Liability	\$5,965	\$7,119
Deposits	\$371,597	\$345,898
Total Borrowings	\$5,000	\$17,000
Equity	\$22,352	\$27,722
TOTAL LIABILITIES AND EQUITY	\$404,914	\$397,739



IN THE

COMMUNITY

We Have a New Headquarters in San Diego!

We're moving our headquarters to a more modern space, designed to help our team's experience, productivity and well-being. When we help our staff meet their needs, it's a lot easier for all of us at the credit union to help meet your needs. We want to emphasize that this relocation signifies more than just a change of address; it symbolizes a new era of service and dedication to our members and the community.

What You Need to Know

Our headquarters' new address is 3710 Ruffin Rd, San Diego, CA 92123.

While this new location is not intended for banking transactions, rest assured our Scripps Ranch branch remains fully operational during this transition, providing uninterrupted access to all our services.

For more information on the new location, please visit:

cabrillocu.com/articles/Credit-Union/December-2023/Cabrillo-New-Headquarters-in-San-Diego

◀ Credit Unions for Kids (CUFK) Fundraiser

During our collaborative month-long fundraiser, Cabrillo staff and members joined forces to support Rady Children's Hospital, raising an impressive \$44,000!



Battle of the Badges ▶

Cabrillo Credit Union donated \$10,000 to the Battle of the Badges event, benefiting the Children's Youth Athletic Center (CYAC).



◀ SHARP Grossmont Foundation

Cabrillo Credit Union has demonstrated its unwavering commitment to the community by raising a remarkable \$18,645 to support the Grossmont Hospital Foundation's Sharp Grossmont Hospital Neurosciences Center.



SHARP Prebys Innovation and Education Center ▶

It was an honor visiting the new Prebys Innovation and Education Center, where Cabrillo was fortunate enough to donate a pledge of \$100,000!



◀ Fraternal Order of Retired Border Patrol Officers (FORBPO)

Cabrillo's CEO, Kevin Posey, participated in the FORBPO conference, further strengthening our commitment to supporting our esteemed founding partners.





Enriching the lives of our member-owners, one relationship at a time.

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