

ANNUAL REPORT



KIRTLAND
FEDERAL CREDIT UNION
EMPOWERING FINANCIAL INDEPENDENCE



Mission

Exceed the financial service expectations of our members—principally those in the military and in organizations who support the defense of our nation.



60 Years of Service

Our 60th year is in the books, and what an honor and pleasure it has been celebrating with our members and employees! From special promotions for our members to special events within our branches, Kirtland Federal Credit Union's 60th year has been one to remember. 2018 also marked an unprecedented year for giving back to our community, and it would not have been possible without you, our members.

Kirtland FCU's employee volunteer corps has been hard at work in 2018, partnering with KRQE for the Shoes For Kids campaign. Employees could be found working the phones to take donations, as well as fitting those donations right onto the little feet of the students who need them most. Employees also donated year-round to various charity organizations.

Additionally, Kirtland FCU continued its corporate partnership with The United Way of Central New Mexico and even kicked off a proud partnership with Central New Mexico Community College Veterans support programs.

Why? If 60 years has taught us one thing, it's that commitment and dedication to the community make all the difference. Thank YOU for being such a big part of our success. Let's see what the next 60 years brings.



Core Values



Trustworthiness



Fairness



Respect



Caring



Responsibility



Citizenship

Vision

Recognized by our members as their most trusted financial partner; continuing to grow and adapt to changes in our membership, marketplace and environment.

Our Community

YEAR IN REVIEW

Here is a review of the great community activities Kirtland FCU took part in this year!

NEW MEXICO BOWL FOOTBALL GAME



Kirtland FCU volunteers joined the festivities at this year's New Mexico Bowl football game, handing out goodies and talking to fans.

CNM FOUNDATION SPONSORSHIP



The Central New Mexico Community College (CNM) Foundation helps student veterans with a free food pantry, a quiet place to study, and emergency scholarships in the event of a short-term hardship. Kirtland FCU is proud to help these students focus on earning their degrees and finding success after their military service.

SHOES FOR KIDS

Volunteers worked at phone banks and donation events to help KRQE get brand-new shoes to kids in need at local elementary schools.



60TH CELEBRATIONS

Members helped us celebrate our 60th anniversary at each of our Albuquerque branches with free refreshments and giveaways!



CLUB F.I.T. SCHOLARSHIPS



Kirtland FCU's annual scholarship program awards three deserving college-bound students each year. This year's winners: 1st Place: Brianna Sanchez, \$2,000; 2nd Place: Karina Adam, \$1,500; 3rd Place: Caleb Bock, \$1,000. Additionally, they each received a prize pack that included laptop computers, Target® gift cards, and other school essentials.

Our Members

YEAR IN REVIEW

We're proud to help members achieve their goals with great promotions and product pricing.

\$650 CAMPAIGN

Members received \$650 back after closing their 15-year fixed-rate or 15/15 adjustable-rate mortgages—a total of \$37,050 was rebated to our members. Those loans totaled \$11.4 million.



CERTIFICATE CAMPAIGN

Members received a fantastic rate on a 15-month certificate during this campaign. 437 members opened accounts totaling \$27.3 million.

BALANCE TRANSFER

The year kicked off with an unbeatable balance transfer campaign for our members, just in time for those post-holiday credit card bills. Nearly 500 members transferred \$3.49 million to their Independence Credit Card. That includes 41 new members.



60 DAYS, NO PAYMENTS

A new car, and no payments for 60 days? Yep, just for Kirtland FCU members! 66 members took advantage of this offer, bringing in \$1.71 million in new auto loans.

Chairman's Report

Kirtland Federal Credit Union, for more than 60 years, has been primarily a traditional credit union with a limited field of membership. Based upon a set of core values, our strategic mission has been to serve the military and federal civilians employed at Kirtland Air Force Base, as well as base contractors who support the military.

This business strategy has served the credit union and our members well. As documented in the financial statements within this Annual Report, today we are a profitable, well capitalized credit union with a low-cost structure, which provides outstanding value to our members in terms of competitive loan and deposit rates and low service fees. We offer our members an in-house financial advisory service with access to low cost alternative investment products. Our home mortgage products include Kirtland FCU servicing over the life of the mortgage.

We provide broad member access to financial services at four full-service branches, a national ATM network, a full-service call center,

and internet/mobile banking. As our business environment keeps changing, Kirtland FCU must adapt. Change will continue to be a major theme at Kirtland FCU for years to come to ensure future growth and our ability to provide exceptional financial services.

Visible changes during 2018 included a leadership change, as our president of 28 years retired on March 1, 2018. On July 1, 2018 the board appointed Tom Shoemaker as the new president. We also welcomed two new board members, Matt Nixon and Mark Neice, who join Michael Chase, Lyn Kirkwood, Cheryl Leté, Ray Wick, and myself. Your Board of Directors is committed to discerning a new growth strategy for Kirtland FCU while maintaining our strong tradition of "proud to be of service" to our existing members.

Other changes undertaken in 2018 include a store front BX branch on the east side of Kirtland AFB, which opened on January 23, 2019. Future plans call for a stand-alone, full-service branch nearby the BX. In early 2019, we will open The Home Loan Center located at Osuna



Brian McDonald
Chairman

and Jefferson NE, with our goal of becoming a premier mortgage lender. We have purchased land on the west side of Albuquerque and will begin preliminary design for the construction of a new, modern branch. In addition, we are in the process of securing property in Rio Rancho for a future branch location.

Throughout 2019, the board and the executive leadership team will be assessing other opportunities for future growth. This data-driven assessment may include strategies to expand the membership base of the credit union. But, be assured that we will do so only in a way that maintains our strong commitment of service to the military, federal civilians, and contractors at Kirtland AFB.

Thank you to our members, who have shown faith in Kirtland FCU over these last 61 years. In the future, Kirtland FCU will remain driven to empower the financial independence of you, our member.

Board of Directors



Lyn Kirkwood
Vice Chair



Cheryl Lété
Secretary



Ray Wick
Treasurer



Michael Chase
Chair Emeritus



Mark Neice
Member



Matt Nixon
Member

President's Report

It has been and continues to be an honor to serve as President and CEO at Kirtland FCU. This past June marked my 25th year at Kirtland FCU, and I am proud to say that we continue to produce strong financial numbers in these times of uncertainty. Our continuing challenge is to ensure we bring to you, our members, a strong financial value in the products and services we offer, while mitigating the increasing costs of doing business.

2018 was a building year, literally, for Kirtland FCU. In January 2019, we officially relocated our Kirtland AFB branch to a brand-new space inside the Kirtland AFB Base Exchange. This branch offers a modern look and feel and an excited group of employees ready to help serve our base-going members. We also

successfully negotiated lease space for a Home Loan Center at Jefferson and Osuna and expect that facility to open in late April of 2019. This dedicated home loan and mortgage facility will provide members with convenient access to our mortgage officers, underwriters and servicers. Lastly, we have purchased land at Coors and St. Josephs on Albuquerque's west side. We're also in negotiations for land in Rio Rancho.

Expansion hasn't been limited to branches. We recently upgraded our loan platform to provide the best experience to our members, added new SEGs (*select employee groups*) to expand opportunities for member growth, and hired additional security and fraud experts to keep member and system information safe.



Tom Shoemaker
President/CEO

Our community marketing efforts expanded in 2018 as we partnered with the KRQE Cares Shoes For Kids program, supported CNM, became the title sponsor of the "Stars and Stripes" KKOB radio show honoring our veterans, and sponsored our first New Mexico Bowl football game.

I hope you are excited about the direction your credit union is headed. We truly want to express our thanks for your loyalty and commitment to Kirtland FCU as we move forward.

Supervisory Committee's Report

The Kirtland Federal Credit Union Supervisory Committee ensures that financial statements are accurate and internal controls are effective to safeguard Kirtland FCU member assets. Additionally, the Committee adjudicates and oversees the resolution of member complaints concerning Kirtland FCU procedures and services. They provide an independent review and ensure complaint resolution. Your four-member committee—all volunteers—provides monthly reports to the Board of Directors and to the senior management team concerning these issues.

To ensure assets are protected, oversight of financial operations is

one of the primary responsibilities of the Kirtland FCU Supervisory Committee. The Committee employs the CPA firm Moss Adams LLP to conduct internal audits and ensure that processes are effectively protecting member accounts. The Supervisory Committee provides audit findings and recommendations to the Board and senior management for corrective action. CliftonLarsonAllen LLP is also employed by the Committee to conduct annual independent audits of financial statements.

The Supervisory Committee is pleased to report that Kirtland FCU's financial assets are properly safeguarded, and reports

accurately represent its financial position; all based on internal and external audit results. In concert with the National Credit Union Administration (NCUA), the Committee continues to focus on cybersecurity, unauthorized access to member information, and Bank Secrecy Act compliance. In addition, financial operations and internal controls conform to Generally Accepted Accounting Principles, Kirtland FCU policies, and NCUA regulations.

— Terry A. Franks, Chairman

*Other Committee Members:
Kimberly Fitzgerald
Michelle Perea
Stephanne Smith*

Statements of Operations

December 31, 2018 and 2017

INTEREST INCOME	2018	2017
Interest on Loans	22,492,027	21,220,591
Interest on Investments	5,247,967	5,245,773
Total Interest Income	27,739,994	26,466,364
INTEREST EXPENSE		
Dividends on Members' Share and Savings Accounts	3,714,310	3,468,783
Interest on Borrowed Funds	2,283,770	2,101,100
Total Interest Expense	5,998,080	5,569,883
Net Interest Income	21,741,914	20,896,481
Provision for Loan Losses	2,888,839	3,563,891
Net Interest Income After Provision for Loan Losses	18,853,075	17,332,590
NON-INTEREST INCOME		
Fees and Charges	2,682,645	2,099,461
Other Non-Interest Income	3,861,974	3,578,554
Total Non-Interest Income	6,544,619	5,678,015
Total Income	25,397,694	23,010,605
NON-INTEREST EXPENSE		
Compensation and Benefits	11,056,004	10,466,336
Occupancy	1,000,222	963,476
Operations	5,576,767	5,393,736
Professional and Outside Services	1,512,361	1,301,025
Other Expense	1,064,342	392,464
Total Non-Interest Expense	20,209,696	18,517,037
Total Non-Operating Gains (Losses)	333,572	804,053
NET INCOME		
Net Income	5,521,570	5,297,621

Members



2018
48,317

2017
48,329

2016
46,618

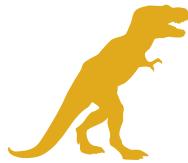
Statements of Financial Condition

December 31, 2018 and 2017

ASSETS	2018	2017
Loans to Members, Net of Allowance for Loan Loss	525,709,757	520,561,558
Cash and Cash Equivalents	27,750,292	16,370,560
Investment Securities	218,902,004	228,771,496
Accrued Interest Receivable	2,332,005	2,358,236
Premises and Equipment	7,232,368	6,354,599
NCUSIF Deposit	6,301,672	6,098,285
Other Assets	1,276,846	1,551,821
Total Assets	789,504,944	782,066,555
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Members' Share and Savings Accounts	639,350,015	628,965,482
Accrued Interest Payable	318,705	308,804
Accrued Expenses and Other Liabilities	42,524,076	51,201,304
Total Liabilities	682,192,796	680,475,590
Members' Equity		
Regular Reserve	7,713,660	7,713,660
Undivided Earnings	99,598,488	93,877,305
Total Members' Equity	107,312,148	101,590,965
Total Liabilities and Members' Equity	789,504,944	782,066,555



Giving Back To The Community



New Mexico Museum
of Natural History

\$10,000



Kirtland Air Force Base

\$93,000



United Way of Central
New Mexico

\$25,609



Veteran Support

\$12,250



Employee Donations

\$10,760



Education and
Community Support

\$78,500



CNM Foundation

\$20,000

Charities & Organizations Helped By Kirtland Federal Credit Union Employees:

Paws and Stripes

Children's Grief Center

Rape Crisis Center of New Mexico

Shoes For Kids

Make-A-Wish Foundation

PB&J Adopt A Family

Donated \$255,719

Why Give Back?

Kirtland Federal Credit Union recognizes that empowering our community through donations and volunteer hours benefits us all. We're stronger together.

LET'S MAKE *plans!*



WEALTH MANAGEMENT SERVICES

A plan is just a well-thought out path that can help get you where you need to go.

Take advantage of the skill and experience of the Wealth Management Advisors at Kirtland Financial Services. Whether you're four years away or 40 years away from your next stage of life, now is the time to start working and planning for your financial future.



KirtlandFCU.org | 505.254.4363

Securities and advisory services offered through LPL Financial, a registered investment advisor; Member FINRA/SIPC. Insurance products offered through LPL Financial or its licensed affiliates.

Not NCUA Insured

No Credit Union Guarantee

May Lose Value

KirtlandFCU.org | 1.800.880.5328

